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KEDI ECONOMIC SURVEY

JANUARY 1983 ISSUE

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KEDI ECONOMIC SURVEY

JANUARY 1983 ISSUE

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This forecast uses the December, 1982, U.S. Department of Commerce revised National Income and Product data. Also used is the December 1982, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial, and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

KEDI views 1983 as showing a very slight recovery after a flat first quarter. Growth for the year is projected in the 2 per cent range. While some sectors will have growth, others will remain stuck or decline a bit more, but in 1984 the recovery will be more evenly spread. REAL GROWTH Mixed news continues. Good news: housing, construction, factory orders, defense, car, and home sales showed gains. Grin-and-bear-it news: factory use rate, unemployment claims, and the IIP changes were not favorable. PRICES A revision here in the forecast as the inflation rate projected for 1983 is now lowered to 6.1 per cent. EMPLOYMENT It is not pleasant to report that joblessness will not decrease much in the next five years. Unemployment will average 9.9 during 1983 and won't reach a more "normal" 5.5 per cent until 1986. HOUSING Again, although a more normal level of housing starts will not be reached until 1986, there will be improvement in 1983 with total starts forecast at 1.4 million. AUTOS There is a small upward revision in the forecast here with total sales set at 8.3 million for 1983. Other good news, the foreign share of the market will edge down. BUDGETS Due to a change in assumptions, the deficit for fiscal 1983 is now seen in the $190 billion range. It will not curtail recovery or drive interest rates way up. INCOME Personal income will barely change in '83 when adjusted for inflation. Profits will be exceeded in 1983. MONEY AND CREDIT Money supply will grow above the Fed's targets, loans will gain, and installment credit will expand some. INTEREST RATES The prime rate will be in the 10.5-11.5 area for most of the year with slight increases in the latter part.

1.02 OVERVIEW

The current year, 1983, is now summarized as bringing us a VERY MODERATE RECOVERY.

-The first quarter will be essentially flat.

-During the second quarter there will be small increases.

-The last half of the year will show growth at a slightly better pace than the second quarter.

The majority of forecasters hold a similar general view for 1983. However, they can be divided into two groups.

GROUP I. Growth is seen in the 3 per cent range. In a comparison, this is can be called "faster." Members of the "fast lane" group are the Administration, Merrill Lynch Economics, University of Michigan, Wharton Econometrics, and the University of California.

Group II. Growth is seen by this data projection and hunch-bunch as in the 2 per cent area. (It is only by comparison that the above 3 per cent group seems fast. Not many years ago, both would be viewed as very slow, indeed.) Members of this group now include, KEDI, Chase Econometrics, Data Resources, Georgia State and Townsend-Greenspan.

In December, 1981, KEDI projected that there would be regular growth in all industries in 1983. Now, 1983 is not seen as having regular, generalized growth, but the latter part of the year will show gains. For 1984, the projection made over a year ago still stands. That is, "general expansion will be broader and more rapid in 1984." (KEDI Economic Survey, December 1981, page 1.)

OVERVIEW

This Institute agrees with Allan Greenspan in the following assessment: WE ARE NOT YET OUT OF THE RECESSION. ONE-HALF TO THREE-FOURTHS OF THE RECESSION IS OVER. That means the recession started in July of 1981 and is now 1½ years old. The conclusion here is that another half year or so remains of the recession before things will begin to definitely get better.

A year ago, in the December,1981, issue, the split or sectorized nature of the economy was cited. Defense was named as one of the areas that would show growth in 1982 while other sectors would be caught in the pit for most of the year such as construction and autos. That was the case in general for 1982. It is only now that housing and autos are just beginning to edge forward. Still they will not become the pillars of the economy that they once were. We are in a post-industrial society over half of which is comprised of the service sector.

During 1983, KEDI anticipates gradual improvements in mining, construction, and automobiles and continued strong performance in defense and related industries. That will contribute to modest, continuous growth accelerating in the latter part of the year when the recession will definitely abate.

However, the year will still be far from normal:

1. Auto sales: 8.3 million units as compared to a more normal 10 million.
2. Housing starts: 1.4 million units whereas 1.8-2 million has been seen as the standard pattern.

OVERVIEW

3. Unemployment: 9.8 per cent as compared to a more tolerable range of 5 per cent.
4. Capacity Utilization: 70 per cent versus the more acceptable rate of 85 per cent.

In 1983 inflation will continue to be kept at a fairly low level of 5.8-6.0 per cent. After a slight decline in the first quarter, interest rates will be flat with the prime rate around 10-11 per cent. That is, they will stabilize. Small gains will occur in the second part of the year.

KEDI does not share the optimism of some forecasters that expect consumers to significantly increase their spending in 1983 as compared to 1982. The projection here shows a 2.6 per cent expansion in consumer spending on durables, nondurables and services. (Population growth is seen as being about 1.2 per cent in 1983 over the prior year.)
The REASON: high unemployment and smaller increases in average wage rates will keep the spendable income at low levels.

In the broad view, there are two important weak spots in the area of developing the economy. These are business capital outlays and foreign trade.

This year, business capital outlays are seem as remaining flat with no significant increases in real terms. In fact, inflation adjusted outlays are projected here as being 0.5 per cent less in 1983 than in 1982. KEDI is not as pessimistic as the Administration which looks to a decline of almost 5 per cent. Foreign trade will begin to get in the red this year. The high international value of the dollar will stimulate more imports and depress exports. KEDI anticipates that the international value of the dollar will remain strong even though declining slightly toward the end of 1983.

Despite the foreign trade deficit, the U.S. international position will improve substantially. A significant gain of 40-50 per cent in surplus in the balance of payments for 1983 as compared to 1982 is expected.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, assumptions No. 1 and No.6 have been updated.

1. In 1986, all U.S. demand for oil should be met. In 1983, it is expected the weighted price of oil will be $31 per barrel; in 1984 it will go up to $32 per barrel; in 1985, to $34 per barrel; and in 1986, to $35 per barrel.
2. It is expected that the Mid east crisis will continue throughout this year and more normal economic conditions including a significant resumption in the area of oil exports, will take place not earlier than in 1984.
3. High interest rates and restrictive monetary and credit policies

ASSUMPTIONS

will generally prevail in the 1982-1986 period. In the first half of 1983 some relaxation, and in the second half of 1983 stabilizing is expected.

4. Increases in state and local taxation in 1982-1986 are anticipated.

5. Our foreign trade with China will gain a substantial momentum in 1983 and following years.

6. In 1983 good harvest is assumed for this country and average production of crops is expected in the U.S.S.R. in 1983 and in 1984. U.S. record crops are expected in 1985-1986.

7. Average rates of growth in 1982-1986 in the major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%, Great Britain 2.1%; France 2.7%.

8. No drastic changes in international relationships are assumed.

The January 1983 KEDI forecast is highlighted in Table 1.0 on page 7.

1.10 REAL GROWTH
(Table 1.10 on page 9)

As the economy continues in the doldrums, the news remains mixed. First, the data that point to a better 1983 will be outlined and then the news that contributes to the forecast of a flat first quarter.

Positive signs indicating that more general improvement is coming:

1. Factory orders. New orders for durable goods were up by 1.9

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1981	1982	1985	1986
Gross national product	bil. 1972$	1502.6	1474.7	1622.7	1682.7
Index of industr. production	1967= 100	151.0	138.7	163.1	169.5
Capacity utilization	%	78.5	69.9	76.0	77.4
Unemployment rate	%	7.6	9.7	7.8	7.6
Private housing starts	mil.	1.084	1.073	1.540	1.607
Car sales	mil.	8.6	7.9	9.1	9.0
Implicit GNP price deflator	1972= 100	195.5	207.4	247.6	263.4
Consumer price index	1967= 100	272.4	288.9	350.9	376.2
Producer price index	1967= 100	269.7	280.2	344.2	369.7
Federal deficit	bil.$	-60.0	-144.3	-98.7	-67.6
Personal income	bil.$	2415.8	2571.1	3152.3	3367.8
Prime rate	%	18.87	14.85	11.51	12.35
Mortgage rate	%	16.52	15.41	12.86	13.14
Currency plus demand deposits	bil.$	427.1	456.2	559.4	595.7
Commercial and industr. loans	bil.$	360.6	400.9	497.8	527.3

*Finished goods

REAL GROWTH

per cent in November. That is significant as there was not much help during the month from housing or autos. KEDI forecasts that durable orders will increase throughout the year. Still, the average monthly level forecast of $75 billion is below a more normal rate of $85 billion.

2. Orders for consumer durables. These went up by an annual rate of 2 per cent in November. For 1983, such orders are seen as being in the $80 billion range versus a more typical $90 billion. It is a good sign that orders went up most for electrical machinery, i.e., appliances.

3. New Construction. The value of new construction reached a 10-month high by jumping 16 per cent in November. KEDI predicts a total of $162 billion this year which is still below a more adequate rate of $180 billion.

4. Housing Starts. Improvement here is sound and will continue being greatly aided by the decline in interest rates. The November gain was very encouraging. Still the forecast at this Institute of 1.4 million units is about 20 per cent below more normal rates.

5. Defense and Space Equipment. These continued strong in November. The Index of Industrial Production for Defense Equipment was at 112.1 that month. The 1981 average was 102.7 and it is likely to be 108.8 in 1982. For 1983, this Index is seen as averaging 114.9 by KEDI.

TABLE 1.10 REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Gross national product, 1972$	bil. 1972 $	1502.6	1470.7	1478.4	1478.4	1471.2	1474.7	-1.9
Index of industrial product.	1967= 100	151.0	141.6.	139.2	138.2	135.6	138.7	-9.2
Unemployment rate	%	7.6	8.8	9.5	9.9	10.7	9.7	27.6
Capacity utilization rate	%	78.5	71.6	70.3	69.6	68.1	69.9	-11.0
Private housing starts	mil. units	1.084	.919	.958	1.114	1.302	1.073	-1.1
Car sales	mil. units	8.6	8.3	7.5	7.8	8.0	7.9	-8.1

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Gross national product, 1972$	bil. 1972 $	1474.7	1481.2	1493.2	1510.7	1530.7	1504.0	2.0
Index of industrial product.	1967= 100	138.7	137.1	140.4	145.6	149.6	143.2	3.2
Unemployment rate	%	9.7	10.6	10.1	9.8	9.4	9.9	2.1
Capacity utilization rate	%	69.9	68.9	70.3	71.8	73.4	71.1	1.7
Private housing starts	mil. units	1.073	1.116	1.405	1.479	1.443	1.361	28.6
Car sales	mil. units	7.9	8.2	8.3	8.1	8.4	8.3	5.1

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Gross national product, 1972$	bil. 1972 $	1504.0	1540.2	1553.7	1569.4	1583.8	1561.8	3.8
Index of industrial product.	1967= 100	143.2	150.1	154.3	158.2	162.8	156.4	9.2
Unemployment rate	%	9.9	9.2	9.1	8.5	8.2	8.8	-11.9
Capacity utilization rate	%	71.1	74.2	74.9	75.9	76.4	75.4	6.0
Private housing starts	mil. units	1.361	1.389	1.438	1.546	1.480	1.464	7.6
Car sales	mil. units	8.3	8.6	8.7	8.8	8.9	8.8	6.0

*Historical data (1) % change over previous year

REAL GROWTH

6. Car Sales. These were up slightly toward the end of 1982. The projection is that they will increase by about 5 per cent during 1983. That will still leave them below more standard levels.

7. Sales of New Homes. These jumped ahead in November. (The reader is referred to Table 1.41 and Section 1.41). The annual rate reached in November is not terribly far removed from a more normal rate.

8. The Index of Leading Indicators. This climbed by 0.8 per cent in November. It is not a very reliable tool as it has been climbing for about six months and the recession has remained with us.

Now for the Negative News.

1. Factory Utilization Rate. It was at 68 per cent in November. The forecast here remains bleak. A slight improvement--quite slight--is foreseen in 1983 as that rate should be about 71 per cent.

2. Claims on unemployment insurance benefits. These went up in December. The forecast here for 1983 shows only a gradual decline

3 Retail sales. These did move ahead in December, but not by much. The projection by KEDI is that they will increase close to 4.5 per cent in 1983. That is not a big gain.

REAL GROWTH

4. The Index of Industrial Production. This declined in November by 0.4 per cent. It is expected to decrease 0.6 per cent in December. Overall, KEDI sees the change in the index as being downward in 1982 by a total of 9.2 per cent. In contrast, during the current year, there is a gain anticipated here of 3.2 per cent over the prior year--barely any gain at all if one looks from the perspective of 1980.

5. Altogether, the news and the forecast data point to a repeat of mixed developements through the first quarter of 1983. The positive will outweigh the negative in the second part of the year.

The outlook for some major industries is presented here.

MINING.

The main improvement will be in coal mining. The IIP in 1982 is seen in the 136.3 area and for 1983 that index is forecast at 145.7 -- a gain of 1.9 per cent for coal. (KEDI had expected coal to improve in 1982 as of the forecast a year ago, but that development did not get fueled.) The IIP for metal mining and stone and earth minerals will only improve slightly at rates of 4.5 and 5.2 per cent respectively during 1983.

NONDURABLE MANUFACTURES

The main increases here will be in food processing, up 4.8 per cent in 1983 over 1982; paper and products, a gain of 4.7; rubber and plastics, edging ahead by 3.4 per cent;, and chemicals and products, up just 3.1 per cent.

REAL GROWTH

DURABLE MANUFACTURES

Here, main improvements are seen for Ordnance and accessories, which will continue to perform quite nicely as KEDI projects a 10.2 per cent increase in production this year over 1982. Improvements are seen for electrical machinery, (especially appliances) will go up 3.8 per cent. Lumber and products, and furniture and fixtures will increase by 4.2 per cent.

Primary metals, fabricated metal products, and non-electrical machinery will not show much improvement. So-called normal steel shipments are around 90 million tons. Well in 1982, that total was in the 60 million ton range. The forecast for this year is 66 million. Some gain but still on the low side in total. Production of nonelectrical machinery is expected to grow by a modest 2 per cent.

In the transportation equipment group, the main improvements are expected in instruments and miscellaneous manufactures: up 8 and 6 per cent respectively.

TRANSPORTATION

During 1983 railroad freight hauled will grow by 4.7 per cent. Trucking transportation will expand at a slower rate of 2.8 per cent.

TRADE

Wholesale and retail trade will remain on the okay side. They have not been terrific in 1982. Expansion here will be approximately 3 per cent.

REAL GROWTH

BANKING AND REAL ESTATE

The KEDI forecast is optimistic for 1983. Banking and financial intermediaries will perform better than they had in 1982. The earnings forecast for both industries show a leap of about 10 per cent in profits in 1983 when compared to 1982.

CONSTRUCTION

In this Institute's forecast construction belongs to the main winners in 1983. Output will grow by 21 per cent with public construction up 17 per cent, housing, 22 per cent, and office building increasing 14 per cent when compared to the 1982.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 14)

The forecast of the inflation rate for this year and last year has been reduced. The figures for this issue and the last issue are given here in terms of changes in the CPI.

% changes in the CPI over previous years

	December'82 Forecast	January'83 Forecast
1982	6.3	6.0
1984	6.9	6.1
1984	7.4	6.9

Consumer prices rose by only 0.1 per cent in November. In 1981 inflation was at 8.9 per cent. Before adjustment the index in November was at 293.6. That meant that goods and services that cost $100 in

1.21 PRICES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3 *	4		
Consumer price index,n.s.a.	1967=100	272.4	282.5	286.8	292.8	293.5	288.9	6.0
Producer price index,n.s.a.**	1967=100	269.7	277.2	278.2	281.2	284.0	280.2	3.9
Price deflators:								
GNP	1972=100	195.5	203.6	206.0	208.4	211.0	207.4	6.1
Personal cons. expenditures	1972=100	194.5	202.2	204.0	207.7	210.1	206.0	5.9
Gross private dom.investment	1972=100	184.3	212.3	213.3	214.8	216.2	214.2	16.2
Federal purchases	1972=100	207.4	218.3	221.6	222.9	225.3	222.0	7.0

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Consumer price index,n.s.a.	1967=100	288.9	297.2	302.3	309.6	316.9	306.5	6.1
Producer price index,n.s.a.**	1967=100	280.2	288.4	294.3	299.6	306.1	297.1	6.1
Price deflators:								
GNP	1972=100	207.4	212.3	216.5	219.2	222.2	218.1	5.2
Personal cons. expenditures	1972=100	206.0	212.1	215.9	218.2	220.6	216.7	5.2
Gross private dom.investment	1972=100	214.2	219.5	218.9	222.3	225.4	222.0	3.7
Federal purchases	1972=100	222.0	229.3	232.5	235.5	240.1	234.4	5.6

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Consumer price index,n.s.a.	1967=100	306.5	318.2	324.5	330.2	337.5	327.6	6.9
Producer price index,n.s.a.**	1967=100	297.1	311.0	316.4	324.8	330.5	320.7	7.9
Price deflators:								
GNP	1972=100	218.1	224.7	228.7	234.4	242.9	232.7	6.7
Personal cons. expenditures	1972=100	216.7	223.1	227.5	234.0	240.1	231.2	6.7
Gross private dom.investment	1972=100	222.0	228.4	231.8	236.9	241.1	234.6	5.7
Federal purchases	1972=100	234.4	244.0	248.8	252.4	256.8	250.5	6.9

*Historical data (1) % change over previous year **Finished goods

PRICES

1967 cost $293.6 in the eleventh month of 1982. (Roughly speaking, if your pay did not at least triple in 15 years, you are barely even by this measure.)

In 1983, it is expected here that the following price gains will take place: food prices, up by just 3.5 per cent and that will be mainly in meat and dairy products. Prices for apparel will gain by 3.7 per cent, energy items by 7 per cent, houses by 8 per cent, and services by 10.2 per cent.

Producer prices. Indications of recovery are seen in the raw materials prices which are sensitive to any rebound in demand. They moved ahead by 0.9 per cent in November. That was the first increase in that category in six months.

The forecast for the producer price index remains essentially the same. In 1983, the price increases will be concentrated on the raw materials component of the index: metals, nonmetallic ores, natural gas, rubber, wood and clay, earth and stone minerals. As far as agricultural raw materials are concerned and raw steel, prices will remain flat.

1.22 NOMINAL GNP
(Tables 1.22 and 1.23 on pages 16 and 17)

The forecast of the nominal GNP and Components shows the fastest growing part will be the public sector; namely, the Federal Government. Its expenditures will grow by 8 per cent and State and local

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3 *	4		
Gross national product	bil.$	2937.7	2995.5	3045.2	3088.2	3103.6	3058.1	4.1
Personal cons. expenditures	bil.$	1843.2	1919.4	1947.8	1986.3	2021.5	1968.8	6.8
Gross private dom. investment	bil.$	471.5	414.4	431.5	443.3	424.2	428.5	-9.1
Net exports	bil.$	26.1	31.3	34.9	6.9	-4.3	17.2	-34.1
Government purchases:								
Federal	bil.$	228.9	249.7	244.3	259.0	265.6	254.6	11.2
State and local	bil.$	368.0	380.4	386.6	392.7	396.6	389.1	5.7

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Gross national product	bil.$	3058.1	3144.6	3232.8	3311.5	3401.2	3272.5	7.3
Personal cons. expenditures	bil.$	1968.8	2038.6	2097.0	2136.7	2181.5	2113.4	7.3
Gross private dom. investment	bil.$	428.5	445.7	465.5	484.7	508.3	476.0	11.1
Net exports	bil.$	17.2	-15.2	-23.8	-25.4	-30.4	-23.7	-
Government purchases:								
Federal	bil.$	254.6	272.7	281.3	291.5	302.9	281.7	12.8
State and local	bil.$	389.1	402.8	412.8	424.0	438.3	419.5	7.8

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Gross national product	bil.$	3272.5	3460.8	3554.0	3679.3	3793.7	3622.0	10.7
Personal cons. expenditures	bil.$	2113.4	2204.3	2268.4	2345.4	2429.5	2311.9	9.4
Gross private dom. investment	bil.$	476.0	514.7	521.3	524.2	532.3	523.1	9.8
Net exports	bil.$	-23.7	-16.2	-14.5	2.8	2.7	-6.3	-
Government purchases:								
Federal	bil.$	281.7	310.4	320.6	333.4	345.9	327.6	14.1
State and local	bil.$	419.5	447.6	458.2	473.5	483.3	465.7	11.0

*Historical data (1) % change over previous year

1.23 DETAILED NOMINAL GNP
(Quarterly data are seasonally adjusted at annual rates. In billions of current $.)

	1982	1982	1983				1983
Indicator	4	Annual	1	2	3	4	Annual
Gross national product	3103.6	3058.1	3144.6	3232.8	3311.5	3401.2	3272.5
Personal cons. expenditures	2021.5	1968.8	2038.6	2097.0	2136.7	2181.5	2113.4
Durables	241.3	240.0	242.7	251.6	259.6	268.4	255.6
Nondurables	788.6	763.4	789.6	806.0	815.7	824.6	809.0
Services	991.6	965.4	1006.3	1039.4	1061.4	1088.5	1048.8
Gross private dom. investm.	424.2	426.2	445.7	465.5	484.7	508.3	476.0
Structures	139.0	141.3	137.5	141.7	146.7	151.4	144.3
Equipment	201.6	206.7	200.8	205.3	212.9	225.5	211.1
Resid.investm.	100.4	96.7	101.7	106.7	114.5	118.5	110.4
Nonfarm	94.6	90.8	96.3	100.7	108.0	111.6	104.2
Invent.change	-16.8	-16.5	5.7	11.8	10.6	12.9	10.3
Net exports	-4.3	26.8	-15.2	-23.8	-25.4	-30.4	-23.7
Exports	346.1	367.1	346.6	345.9	351.3	355.2	349.8
Imports	350.4	340.3	361.8	369.7	376.7	385.6	373.5
Federal purch.	265.6	253.1	272.7	281.3	291.5	302.9	287.1
State and local purchases	396.6	387.0	402.8	412.8	424.0	438.3	419.5

governments by 6 per cent. The KEDI forecast for 1983 also looks to a slight inventory buildup, mainly in the retail trade area during the second part of the year. Foreign trade. The forecast here shows U.S. exports stagnating while imports go up, as was mentioned in the prior section. The expected red ink of the U.S. foreign trade will keep increasing. The total gap in 1983 will be about $23 billion as compared to a surplus of $28 billion in 1982.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 19)

KEDI's forecast of the unemployment rate has been slightly increased in this issue for the 1983-1986 period. (See Table 1.30). Unfortunately, the jobless rate will remain uncomfortably high during the next few years. A more normal rate of approximately 6.8 per cent is projected for 1987.

Martin Feldstein's view that we are near a peak with unemployment that was 10.8 per cent in November by official measure is shared here. However, the view he has that the jobless rate will stay above 7 per cent for the next five or six years is not shared here.

The industries that will increase in employment in 1983 are presented in percentage increase terms in numbers of employees in 1983 over the prior year, (including new and recalled persons):

> Construction, 15 per cent; lumber and wood, 6; steel 12; autos 14 per cent; textiles, 8; paper and products, 9; chemicals, 12;

TABLE 1.30 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1 *	2 *	3*	4		(1)
Population	mil.	225.9	228.0	229.2	230.4	231.4	229.6	1.6
Civilian labor force	mil.	108.7	109.1	110.2	110.7	111.7	110.4	1.6
Employment	mil.	100.5	99.5	99.8	99.8	99.9	99.8	-.7
Agriculture	mil.	3.4	3.4	3.4	3.3	3.3	3.4	.0
Non agricult.	mil.	97.1	96.1	96.4	96.5	96.6	96.4	-.7
Unemployment rate	%	7.62	8.77	9.46	9.89	10.67	9.70	27.3

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.4	112.4	113.6	114.7	115.6	114.1	3.4
Employment	mil.	99.8	100.5	102.1	103.5	104.7	102.7	2.9
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	96.4	97.2	98.7	100.1	101.4	99.4	3.1
Unemployment rate	%	9.70	10.58	10.14	9.76	9.43	9.98	2.9

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Population	mil.	232.5	234.5	235.2	236.0	236.9	235.7	1.4
Civilian labor force	mil.	114.1	116.7	117.4	118.2	119.5	118.0	3.4
Employment	mil.	102.7	106.0	106.7	108.1	109.3	107.5	4.7
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	99.4	102.9	102.6	104.7	106.0	104.1	4.7
Unemployment rate	%	9.98	9.18	9.08	8.51	8.19	8.74	-12.4

*Historical data (1) % change over previous year

rubber and plastics, 11; clay, glass and stone products, 8 per cent; and electrical machinery, 8 per cent.

In KEDI's projection, the average workweek of manufacturing production workers in 1983 is expected to stabilize at 36.0 in the first part of the year. In the second half, it will edge up to 36.6.

1.41 HOUSING
(Table 1.41 on page 21)

The forecast at this Institute remains the same. For 1983, the number of total starts is seen as 1.4 million. Recently released data confirm the forecast.

Housing starts zoomed by 26.5 per cent in November to the highest rate they had been in about two years. The seasonally adjusted annual rate was at 1.43 million units. The sales of new houses jumped by 12 per cent. The sales price of a new house averaged $88,600. (The median price was $74,200 for all houses sold.) Resales of previously owned homes were up 8.8 per cent in November.

The housing industry is moving up in line with the KEDI projection. The decline in interest rates that also was anticipated here has been an impetus. However, a more normal level of 1.8-2.0 million starts will not be achieved before 1986. KEDI agrees with the analysis of the National Association of Home Builders, that the present capacity of the housing industry is 1.4-1.5 million units.

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3 *	4		(1)
Single-family housing starts	mil.	.706	.586	.603	.638	.842	.667	-5.5
Multifamily housing starts	mil.	.379	.333	.355	.476	.460	.406	7.1
Mobile home shipments	mil.	.241	.238	.246	.254	.250	.247	2.5
Permits authorized	mil.	.969	.832	.924	1.114	1.179	1.012	4.4
1-family unit** price, new	tho.$	83.1	80.8	85.9	92.0	96.9	88.9	7.0
1-family unit** price,existing	tho.$	78.0	79.2	80.8	83.0	87.0	82.5	5.8

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Single-family housing starts	mil.	.667	.682	.856	.891	.864	.823	23.4
Multifamily housing starts	mil.	.406	.434	.549	.588	.579	.538	32.5
Mobile home shipments	mil.	.247	.272	.297	.305	.321	.299	21.0
Permits authorized	mil.	1.012	1.039	1.186	1.327	1.316	1.217	20.3
1-family unit** price, new	mil.	88.9	98.4	101.9	103.4	105.5	102.3	15.1
1-family unit** price,existing	tho.$	82.5	89.1	92.1	95.2	98.1	93.7	13.5

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Single-family housing starts	mil.	.823	.798	.834	.915	.891	.860	4.5
Multifamily housing starts	mil.	.538	.591	.604	.631	.589	.604	12.3
Mobile home shipments	mil.	.299	.294	.322	.347	.304	.317	6.0
Permits authorized	mil.	1.217	1.283	1.372	1.391	1.320	1.342	10.3
1-family unit** price, new	tho.$	102.3	107.5	111.2	114.1	116.7	112.4	9.9
1-family unit** price,existing	tho.$	93.7	99.4	102.3	104.7	107.2	103.4	10.4

*Historical data (1) % change over previous year **Not seas. adjusted

HOUSING

Mortage rates and house prices are still beyond the means of millions of American families. The low level of the economy and the high rate rate of unemployment also contribute to the below-normal forecast for housing. Still, improvement is there and more is to come.

1.42 AUTOMOBILES

(Table 1.42 on page 23)

The projection for 1983 for cars and light trucks has been increased when compared with previous forecasts. During the current year, 8.3 million cars and 2 million light trucks are expected to be sold whereas the earlier forecast called for 8.0 and 1.8, respectively. Still, the performance foreseen is well below more normal total car sales of 10 million. A level of that nature has not been seen in many years, and KEDI does not even expect 10 million in yearly car sales until perhaps 1988--if then.

As to the forecast for market shares, this Institute expects that for domestic automakers, GM will have a gradual decline, Ford will be close to stable, and Chrysler and AM will have slight gains in 1983.

Percentage Shares of the Passenger Car Market
(By Company and Year)

Company	1982	1983	1984
General Motors	61.1	60.0	58.7
Ford	22.9	23.1	23.3
Chrysler	12.1	12.9	13.9
American Motors	2.2	2.4	2.6
Volkswagen	1.7	1.6	1.5
	100.0	100.0	100.0

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Passenger cars								
Total sales	mil.	8.6	8.3	7.5	7.8	8.0	7.9	-8.1
Domestic	mil.	6.3	6.0	5.5	5.5	5.7	5.7	-9.5
Imported	mil.	2.3	2.3	2.0	2.2	2.3	2.1	-8.7
Dealers inventories**	mil.	1.5	1.1	1.2	1.6	1.7	1.4	-6.7
Factory shipments	mil.	6.3	4.1	4.9	5.1	5.5	4.9	-13.2
Light-duty truck sales	mil.	1.6	1.9	1.7	1.7	1.9	1.8	12.5

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	7.9	8.2	8.3	8.1	8.4	8.3	5.1
Domestic	mil.	5.7	6.3	6.3	6.2	6.6	6.3	10.5
Imported	mil.	2.1	1.9	2.0	1.9	1.8	2.0	-4.8
Dealers inventories**	mil.	1.4	1.7	1.6	1.4	1.5	1.6	14.3
Factory shipments**	mil.	4.9	5.8	5.9	5.6	6.3	5.9	21.0
Light-duty truck sales	mil.	1.8	1.8	2.1	2.0	1.9	2.0	11.1

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	8.3	8.6	8.7	8.8	8.9	8.8	6.0
Domestic	mil.	6.3	6.8	7.0	7.1	7.1	7.0	11.1
Imported	mil.	2.0	1.8	1.7	1.7	1.8	1.8	-10.0
Dealers inventories**	mil.	1.6	1.6	1.7	1.6	1.6	1.6	.0
Factory shipments**	mil.	5.9	6.6	6.9	6.7	6.8	6.8	15.3
Light-duty truck sales	mil.	2.0	2.1	2.4	2.3	2.2	2.3	15.0

*Historical data (1) % change over previous year **Seas. not adjusted

1.50 BUDGETS
(Table 1.50 on page 25)

The forecast of the Federal deficit for fiscal 1983 has been increased by approximately $20 billion since the last issue of this survey and it is now close to $190 billion. The reason for the change is that KEDI had anticipated that there would be approval for the additional $26 billion president Reagan wanted cut from the budget. Now, there are strong indications, that this cut will not take place, so it has been dropped here as an assumption.

This Institute MAINTAINS its projection showing large federal deficits will not significantly reduce the capital formation in private sectors. Despite the deficit, there are various sources of funds in other sectors available for financing, so upward pressure on interest rates will not get out of hand. The size of the deficit will not weaken the recovery.

Data have already shown the lack of a direct relationship between the interest rates and the size of the deficit. For instance, in the last half-year, the deficit was going up and interest rates had been going down--quite the opposite of the assertions of many economists.

KEDI maintains the position that the deficits should be eliminated, but not at the time of a recession. In recessions, cutting expenses and raising taxes likely lead to the opposite result: the economy gets sicker and the deficits loom larger. The time to face the deficit and reduce it is when the economy is well removed from the recession doldrums and recovery is continuing but not before such a time.

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	298.1	299.9	305.8	295.6	297.1	299.6	.5
Corporate prof. tax accruals	bil.$	67.3	45.6	45.2	49.8	50.2	47.7	-29.1
Surplus/deficit	bil.$	-60.0	-118.4	-119.6	-156.0	-180.1	-144.3	240.1
State and local governments:								
Income taxes	bil.$	88.6	93.6	95.4	98.8	99.8	96.9	9.4
Corporate prof. tax accruals	bil.$	10.1	10.1	10.2	10.2	11.3	10.7	5.9
Surplus/deficit	bil.$	31.7	27.7	32.1	32.3	32.1	31.1	-2.0

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	299.6	302.0	306.8	298.1	305.0	303.0	1.1
Corporate prof. tax accruals	bil.$	47.7	53.8	61.6	67.9	72.4	63.9	34.0
Surplus/deficit	bil.$	-144.3	-189.8	-196.3	-204.1	-180.4	-192.7	33.5
State and local governments:								
Income taxes	bil.$	96.9	103.3	107.7	111.0	112.2	108.6	12.1
Corporate prof. tax accruals	bil.$	10.7	12.2	13.2	13.7	14.3	13.4	25.2
Surplus/deficit	bil.$	31.1	33.1	34.8	36.6	35.4	35.0	12.5

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	303.0	309.7	322.9	330.8	339.4	325.7	12.2
Corporate prof. tax accruals	bil.$	63.9	73.8	76.9	79.6	83.0	78.3	22.3
Surplus/deficit	bil.$	-192.7	-161.2	-145.6	-127.1	-117.4	-137.8	-28.5
State and local governments:								
Income taxes	bil.$	108.6	113.2	115.6	120.9	124.3	118.5	9.1
Corporate prof. tax accruals	bil.$	13.4	15.1	15.8	16.4	17.0	16.1	20.1
Surplus/deficit	bil.$	35.0	35.3	35.6	36.4	37.2	36.1	3.1

*Historical data (1) % change over previous year

BUDGETS

KEDI is in general agreement with Lester C. Thurow (Newsweek, December 20, 1982 page 70.) that cutting social programs or hikes in taxes would create a spiral of lower take-home pay, less buying, and less production which leads to less employment and then to bigger red-ink totals as tax receipts move down.

The projection of state and local budgets, has been very slightly changed when compared with previous forecasts as surplus levels forecast are fractionally reduced.

1.60 INCOME

(Table 1.60 on page 27)

Personal income in 1983 will grow by 6.0 per cent and personal disposable income by 6.2 per cent when compared with 1982. Adjusted by the expected rate of inflation and the population growth, it will hardly change. The projection shows that the share of compensation of employees of personal income will be declining and transfer payments will be increasing.

The profits outlook is brighter. KEDI projects profits will expand an average of 11 per cent after taxes. That is fairly close to the projection of Data Resources. Profits will grow by about 9 per cent according to their forecast. However, KEDI is nowhere near as optimistic as some forecasters that look to a boom of 25 per cent. That is just too much wistful thinking--for sure.

TABLE 1.60 INCOME

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Personal income	bil.$	2415.8	2510.5	2552.7	2592.5	2628.5	2571.1	6.4
Personal disposable income	bil.$	2029.1	2117.1	2151.5	2198.1	2230.0	2174.2	7.2
Compensation of employees	bil.$	1767.6	1819.9	1850.8	1868.3	1884.2	1855.8	5.0
Corporate after tax profits	bil.$	150.9	115.9	116.3	119.4	118.9	117.6	-20.1
Personal saving	bil.$	130.2	139.1	144.3	152.0	153.8	147.3	13.1
Average weekly earnings	$	316.8	323.4	331.6	333.1	336.2	331.1	4.5

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Personal income	bil.$	2571.1	2569.2	2698.7	2740.6	2796.8	2723.8	5.9
Personal disposable income	bil.$	2174.2	2253.9	2284.2	2331.5	2379.6	2312.3	6.4
Compensation of employees	bil.$	1855.8	1909.5	1954.3	1964.8	2012.7	1960.3	5.6
Corporate after tax profits	bil.$	117.6	122.5	127.1	130.5	133.5	128.4	9.2
Personal saving	bil.$	147.3	152.2	149.5	157.4	156.1	153.8	4.4
Average weekly earnings	$	331.1	339.6	350.2	356.0	357.8	350.9	6.0

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Personal income	bil.$	2723.8	2843.9	2898.2	2959.2	3010.7	2928.0	7.5
Personal disposable income	bil.$	2312.3	2421.0	2459.7	2507.5	2547.0	2483.8	7.4
Compensation of employees	bil.$	1960.3	2050.5	2123.1	2169.7	2224.3	2141.9	9.2
Corporate after tax profits	bil.$	128.4	138.2	146.5	152.4	156.1	148.3	15.5
Personal saving	bil.$	153.8	154.2	158.7	161.4	165.0	159.8	3.9
Average weekly earnings	$	350.9	366.8	371.0	374.9	381.6	373.6	6.5

*Historical data (1) % change over previous year

1.70 MONEY AND CREDIT

(Table 1.70 on page 29)

KEDI's projections of the money supply for 1983 show that both aggregates, M1 and M2, will surpass the Fed's targets. The upper target for M1 is 5.5 per cent. It is anticipated here that M1 will grow by 6.5 per cent. The expansion in M2 is seen as 12.0 per cent whereas the Fed's upper target is 10.5.

It is assumed there will be some tightening of monetary and credit policies starting in the second quarter and remaining throughout the year. However, it does not mean any explosion of interest rates as the tightening of money supply will not be severe.

KEDI agrees with Milton Friedman that the monetary expansion that started in mid-1982 is likely to continue in general until interest rates start to edge up and then it will be curtailed. This Institute does not agree with Friedman that interest rates will move ahead sharply.

The forecast for commercial and industrial loans shows an increase of 7.5 per cent in 1983. Most of that gain will occur in the latter part of that year.

Consumer installment credit will expand more significantly in 1983 than it did in 1982: 7.2 versus 5.0 per cent. Mortgage credit is expected here to grow quite a bit over the 1982 change. Such credit is seen as increasing 4.8 per cent in 1983 as opposed to expansion of approximately 1.4 per cent in 1982.

TABLE 1.70 MONEY AND CREDIT

(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1981*		1982			1982	% (1)
			1*	2*	3*	4		
Currency and demand deposits,M1	bil.$	427.1	448.0	451.8	454.5	470.3	456.2	6.8
Time deposits, adjusted,M2	bil.$	1723.4	1851.1	1895.4	1941.3	1977.1	1916.2	11.2
Consumer instal. credit	bil.$	333.4	327.1	331.9	340.1	350.2	350.2	5.0
Commerc.& indus. loans at banks	bil.$	360.2	369.0	380.7	390.4	400.9	400.9	11.3
Large denomination time dep.	bil.$	295.4	307.7	322.4	328.9	330.9	322.5	9.2
Mortgages at S & L Assns.	bil.$	518.4	515.9	512.7	517.4	525.8	525.8	1.4

Indicator	Unit	1982		1983			1983	% (1)
			1	2	3	4		
Currency and demand deposits,M1	bil.$	456.2	476.1	482.1	489.8	496.9	486.2	6.6
Time deposits, adjusted, M2	bil.$	1916.2	2029.2	2084.8	2166.1	2197.9	2119.5	10.6
Consumer instal. credit	bil.$	350.2	353.7	358.9	367.0	375.6	375.6	7.5
Commerc.& indus. loans at banks	bil.$	400.9	409.5	414.8	422.6	430.8	430.8	7.5
Large denomination time dep.	bil.$	322.5	334.8	339.2	346.3	354.2	343.7	6.6
Mortgages at S & L Assns.	bil.$	525.8	530.7	536.3	547.9	551.7	551.7	4.9

Indicator	Unit	1983		1984			1984	% (1)
			1	2	3	4		
Currency and demand deposits,M1	bil.$	486.2	506.1	515.8	528.9	541.0	523.0	7.6
Time deposits, adjusted,M2	bil.$	2119.5	2239.5	2285.8	2334.1	2408.7	2317.0	9.3
Consumer instal. credit	bil.$	375.6	381.2	390.0	399.1	406.4	406.4	8.3
Commerc.& indus. loans at banks	bil.$	430.8	437.4	450.8	457.4	468.1	468.1	8.7
Large denomination time dep.	bil.$	343.7	355.3	368.1	379.6	388.5	372.8	8.5
Mortgages at S & L Assns.	bil.$	551.7	560.1	572.3	581.6	592.4	592.4	7.4

*Historical data (1) % change over previous year

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Table 1.80 on page 31)

It is assumed that the Federal Reserve policy in 1983 will be oriented to using both tools of regulating money and credit conditions, that is, monetary aggregates and interest rates. KEDI expects that the main emphasis will be on interest rates in the first half of the year.

The view of Norman Robertson of Mellon Bank that rates should decline a little in the first part of 1983 is shared here. It is likely that the Fed's will allow the interest rates to drop slightly during the first half of the year and allow the money supply to grow beyond target levels.

In the second part of the year, this Institute assumes they will emphasize using both tools to restrict the growth of the money supply and prevent interest rates from going up too much. KEDI agrees with the view that we need stable monetary and fiscal policies that do not go swinging wildly back and forth. Such a view has been expressed both by Milton Friedman and by Walter D. Fackler, an economist in Chicago.

KEDI anticipates the prime rate will stabilize around 10.5-11.5 per cent, the Aaa rate and Mortgage rate around 12 per cent in the first half of the year. Slight increases are expected in the second half.

The projection of the stock market shows a stable performance without any significant ups and downs. The Dow Jones is projected in the 950-1000 range and the Standard and Poor's 500 in the 129-130 area.

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Treasury bills (3 mo) yield	%	14.03	12.81	11.97	9.65	9.32	10.94	-22.0
Prime rate	%	18.87	16.27	16.50	14.59	12.04	14.85	-21.3
Conventional mortgages rate	%	16.52	17.10	16.58	14.76	13.19	15.41	-6.7
Aaa corporate bonds rate	%	14.17	15.01	14.52	13.69	12.81	14.01	-1.1
20 years Govt. bonds yield	%	13.72	14.27	13.80	13.24	12.03	13.34	-2.8
Standard & Poor's 500 avg.	1941-43=100	128.05	114.25	114.12	113.82	126.51	117.18	-8.8

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Treasury bills (3 mo) yield	%	10.94	9.79	9.83	10.36	11.01	10.25	-6.3
Prime rate	%	14.85	11.18	11.36	11.42	12.06	11.51	-22.5
Conventional mortgages rate	%	15.41	13.08	13.04	13.35	13.55	13.26	-14.0
Aaa corporate bonds rate	%	14.01	12.56	11.89	11.92	11.86	12.06	-13.9
20 years Govt. bonds yield	%	13.34	11.97	12.46	12.58	12.86	12.47	-6.5
Standard & Poor's 500 avg.	1941-43=100	117.18	126.20	125.43	127.11	126.14	126.22	7.7

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Treasury bills (3 mo) yield	%	10.25	11.14	11.24	11.95	12.21	11.64	13.6
Prime rate	%	11.51	12.51	12.16	12.35	12.62	12.41	7.8
Conventional mortgages rate	%	13.26	13.26	13.32	13.45	13.64	13.42	1.2
Aaa corporate bonds rate	%	12.06	12.06	12.35	12.80	12.96	12.54	4.0
20 years Govt. bonds yield	%	12.47	13.01	13.38	13.65	13.78	13.46	7.9
Standard & Poor's 500 avg.	1941-43=100	126.22	124.23	125.27	126.06	123.65	124.80	-1.9

*Historical data (1) % change over previous year

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Table 2.0 on page 33)

In this issue a comparison of forecasts published by econometric services at the end of 1980 or at the begin of 1981 for the year 1981 is presented.

The forecast data have been published in the Business Forecasts 1981 (Federal Reserve Bank of Richmond, February 1981, Library of Congress Catalog Number: 75-189493.)

Econometric services selected here are those listed in Business Week, Investment issue, December 27, 1982/January 3, 1983, p.56, with the exception of Merrill Lynch Economics; RSQE University of Michigan; A. Gary Shilling & Co.; Townsend-Greenspan; and Wharton Econometric Forecasting Associates, Inc. Forecasts of these services have not been included in the Federal Reserve Bank of Richmond Business Forecasts 1981.

Actual data are from the March 1982 issue of the Survey of Current Business (U.S. Department of Commerce, Washington, D.C., monthly), i.e. before the June 1982 revision.

The data concern selected indicators of Gross National Product, Unemployment Rate, and Index of Industrial Production.

KEDI Economic Survey had been publishing these data throughout the year 1982 starting February 1982. Each monthly issue has contained a comparison of one indicator. Data in Table 2.0 are taken from these monthly issues. At the end of 1980 some forecasters had been unable to catch the December 1980 revision of the National Income and Product data which may have contributed to the deviation of forecast data from actual data.

Indicator	Appears in the 1982 issue of KEDI Economic Survey
1. GNP in current $	July
2. GNP in 1972 $	June
3. Implicit GNP price deflator	April
4. Gross private domestic investment	May
5. Nonresidential investment	October
6. Residential investment	September
7. Change in inventories	November
8. Personal income	August
9. Personal expenditures on services	December
10. Unemployment rate	March
11. Index of Industrial production	February

Table 2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

(in % of accuracy)

FORECASTS FOR THE YEAR 1981

INDICATOR AND DATE OF FORECAST	Chase Econometrics 1/7/ 1981	Data Resources 12/28/ 1980	Georgia State 11/ 1980	KEDI 12/31/ 1980	UCLA 12/ 1980	Actual data
1. Gross national product in curr.$	-.4[1/]	-2.5	-2.5	-1.0	-3.1	2925.2
2. Gross national product in 1972$	-1.4	-5.7	-4.8	.4	-4.7	1510.3
3. Implicit GNP price deflator	1.0	3.4**	2.3	-.7	2.7**	193.7
4. Gross private domestic investm.	-4.8	-12.6	-7.9	-.3	-7.7	450.5
5. Nonresidential investment	.7	-12.4	-10.2	-.1	-12.2	328.9
6. Residential investment	10.3	1.9	6.9	-2.3	7.5	105.5
7. Change in inventories***	15.7	18.8	15.7	-1.4	8.8	16.2
8. Personal income	-.2	-1.8	-2.6	-.8	-2.0	2404.1
9. Personal cons.exp. on services	.7	*	2.6	-.9	*	882.0
10. Unemployment rate	6.6	3.9	2.6	-1.6	2.6	7.6
11. Index of industrial production	*	-2.8	*	.5	-1.9	150.9

1/ The % of accuracy underlined in each of the eleven indicators is the forecast that was closest to actual data.

Actual data are in the following units: #1.,#2.,#4.-#9. in billions $; #3: 1972 = 100; #10. in %; #11: 1967 = 100.

* Not published
** Calculated as (GNP in current $/GNP in constant $)*100.
*** Accuracy is calculated as a difference between the actual and predicted data

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.10 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36

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President: Dr. Vladimir J. Simunek

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This forecast uses the January, 1983, U.S. Department of Commerce first estimates of 1982:4 National Income and Product data. Also used is the January 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

Growth will begin gradually by the second half of the year and accelerate during that time and in 1984. Some sectors will remain in trouble while others gain. KEDI congratulates the Government for finally scaling down their forecast and looking to real growth of 1.4 per cent this year. It is seen here as somewhat higher--1.9 per cent. REAL GROWTH Factory orders, durable goods orders, and car sales have had a good showings of late. Still, unemployment and sickly capital spending do not point to anything to celebrate. PRICES The low rate for 1982, and especially the drop in the last month of that year have contributed to a revision here of the inflation rate projected for 1983. The change in the CPI is now seen at 5.0 this year and 5.8 per cent in 1984. EMPLOYMENT Forecasts range from a low of 10.2 per cent for the average in 1983 (KEDI) to a high of 10.8. HOUSING The forecast is not changed. Most agree that 1.4 million starts will be the total this year--well below normal levels. AUTOS Sales will edge up this year but not by very much. BUDGETS There is an increase in the projection of the deficit here. KEDI is in rough agreement with the government about its size for this fiscal year but views 1984 as having a deficit around 5 per cent higher then they do. INCOME Expansion of personal income will be slight in 1983, and labor's share will edge down. MONEY AND CREDIT The Fed's policy will be changed in the near future. INTEREST RATES Short-term rates will be fairly level and long-term rates will edge up by year's end.

1.02 OVERVIEW

KEDI applauds the scaling down of the forecasts that were being issued over-accenting the budget possibilities. At last the Administration has become more realistic in public in the view of the rate of growth. The Budget Director, Stockman, and the CEA chairman, Feldstein, have predicted real growth of 1.4 per cent in 1983

OVERVIEW

whereas Treasury Secretary Regan looks to 2.8-3 per cent improvement. Both He and Sec. of State Schultz are committed to optimism. KEDI calculations show that growth will be 1.9 per cent--less than Regan but more than the other leaders mentioned.

Calculations here show that growth cannot be any faster than a rate in the 1.9 per cent range due to a combination of ongoing conditions. The current year will still be below normal in its use of man and machine. The following factors are the main ingredients for the outlook.

1. Forecasters agree on a total of 1.4 million housing starts and that is about 30 per cent below normal.
2. The car sales total forecast here of 8.3 million is also about 30 per cent below normal.
3. Whereas a more typical rate of steel shipments is 90 million tons, 1983 is seen as only reaching 65-70 million tons.
4. The widening deficit will contribute some to the low rate of growth in foreign trade. (But again, it does not mean interest rates will shoot up and cut growth in the U.S.) The foreign trade deficit this year is seen at $60 billion as compared to the 1982 total of 40 billion.
5. The impact of the 10 per cent income tax cut in July of this year is viewed here as minimal; it will just about be set off by the increases in state and local taxes and hikes in social security taxes.
6. Last, but hardly least is the fact that unemployment will remain high--in the 10 per cent range.

These six aspects of the economy are the main reasons why growth simply cannot be more than marginal. Predicting growth of, say, 3 per cent, is hardly looking to a boom, but it is still not in a real possibility for this nation in 1983.

The other major point to be made here is that KEDI does support the Administration's budget proposals as realistic. KEDI agrees with the need to raise taxes starting in fiscal 1986, NOT EARLIER. As the Administration has proposed, it is also realistic to add a $5 tax on domestic and imported oil, a 1 per cent surtax on taxable income in 1986, freezing the discretionary program NOW, and also freezing

OVERVIEW

federal worker's pay for a year. There are no new taxes proposed now, thank goodness. The time for those is when the economy is definitely in an upturn. KEDI agrees that 1986 will be that time.

Deficits are OK in a recession. The time to cut them is during growth when there is strength. Doing so at the start of recovery would only lead to a severe relapse.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, no changes or updates took place.

1. In 1986, all U.S. demand for oil should be met. In 1983, it is expected the weighted price of oil will be $31 per barrel; in 1984 it will go up to $32 per barrel; in 1985, to $34 per barrel; and in 1986, to $35 per barrel.
2. It is expected that the Mid east problems will continue throughout this year and more normal economic conditions including a significant resumption in the area of oil exports, will take place not earlier than in 1984.
3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1982-1986 period. In the first half of 1983 some relaxation, and in the second half of 1983 stabilizing is expected.
4. Increase in state and local taxation in 1983-1986 are anticipated.
5. Our foreign trade with China will gain a substantial momentum in 1983 and following years.
6. In 1983 good harvest is assumed for this country, and average production of crops is expected in the U.S.S.R. in 1983 and 1984. U.S. record crops are expected in 1985-1986.
7. Average rates of growth in 1982-1986 in the major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.1%; France 2.7%; Japan 2.9%.
8. No drastic changes in international relationships are assumed.

The February 1983 KEDI forecast is highlighted in Table 1.0 on page 5.

1.10 REAL GROWTH
(Table 1.10 on page 7)

THE RECESSION HAS TO END SOMETIME. It has been here since June of 1981. Given recent history of business cycle movements and the forecast of KEDI, it is coming to an end.

Recent data confirm the forecast here that 1983 will start out barely moving at all in the first quarter but inch ahead in the second half of the year.

KEDI is not as optimistic as Lawrence Chimerine of Chase Econometrics. In mid-January he said "...the bottom has been reached in December 1982." (Wall Street Journal, Jan. 19, 1983, page 3.) That view is seen at this Institute as premature. So is the view of Allen Sinai of Data Resources that the bottom of the economic trough was reached in December. Mr. Ratajczak of Georgia State referred to December as the end of the recession. Well, the end is near, but is has not yet been reached.

Economist Michael Evans, now of the investment research firm of McMahan, Brafman, Morgan and Co. pointed out recently that recoveries depend on increases in capital spending, not consumer spending. KEDI is in strong agreement. The reader is referred to section 1.20, Prices, for more on capital. Capital equipment prices are providing mixed signals currently.

There are some indicators that do show better times are ahead.

1. Factory orders and shipments rose in November by 0.7 per cent after having dropped 4.1 per cent in October.

2. New orders of durable goods moved ahead handsomely to an adjusted total of just over $79 billion from the revised November figure of $70 billion.

3. New domestic car sales were up 11.5 per cent in mid-January from the like period a year earlier. Incentives and below market interest rates have hepled sales in the last few months.
4. As far as leading economic indicators go, six of the 10 were up in December.

5. During the fourth quarter, productivity gained at an annual rate of

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1981	1982	1985	1986
Gross national product	bil. 1972$	1502.6	1474.8	1620.7	1688.8
Index of industrial production	1967=100	151.0	138.5	165.7	179.1
Capacity utilization	%	78.5	69.8	75.9	77.3
Unemployment rate	%	7.6	9.7	7.6	7.4
Private housing starts	mil.	1.084	1.061	1.502	1.629
Car sales	mil.	8.6	7.9	9.6	9.9
Implicit GNP price deflator	1972=100	195.5	207.2	245.9	261.9
Consumer price index	1967=100	272.4	289.1	341.4	364.3
Producer price index*	1967=100	269.7	280.6	346.8	373.5
Federal deficit	bil.$	-60.0	-144.7	-101.5	-64.3
Personal income	bil.$	2415.8	2569.7	3104.6	3334.3
Prime rate	%	18.87	14.88	11.42	12.28
Mortgage rate	%	16.52	15.41	12.60	13.02
Currency plus demand deposits	bil.$	427.1	456.7	557.3	594.6
Commercial and industrial loans	bil.$	360.6	405.6	503.6	532.9

* Finished goods

2.7 per cent. Still, for the entire year, it was only up 0.2 per cent.

HOWEVER the projection of unemployment is still bad. Unless joblessness drops, it is hardly time to talk about the recovery!

1.20 PRICES AND NOMINAL GNP

1.21 PRICES
(Table 1.21 on page 9)

The forecast of the inflation rate has been revised downwards in this issue. KEDI had not expected the December drop that took place. As measured by the Consumer Price Index, the decline in December of 0.3 per cent was attributed mostly to the falling interest rates and a bit of easing in energy price rises. Medical-care cost did gain as they had been doing all year. Inflation is now seen as 5.0 per cent for 1983.

The main reason for the downward revision here also include a change in the forecast of the rate of inflation of food and beverages from 3.5 to 3.0 per cent, and a reduction in the rise of energy prices from 7.0 to 6.0 per cent during 1983. KEDI and most analysts found that energy prices moved ahead slower and food prices stayed more moderate than they had been expecting in 1982.

The Producer Price Index was up by only 0.1 per cent in December which made 1982's inflation rate for this index the lowest in 11 years: 3.5 per cent. It is important to note that capital equipment prices for the year were up just 4 per cent or under one-half of the 1982 rate. Such equipment is needed to modernize factories and help create new jobs. These prices rose just 0.3 per cent in November, but moved ahead in December. That is a good sign as it points to increased demand. Still, the prices of crude goods which had risen 0.9 per cent in November, dropped by the same rate in December. That is not a good sign. Looking at capital equipment and crude goods prices together, provides a picture that does not point to any definite upturn in the next month or so at all.

TABLE 1.10 REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1 *	2 *	3 *	4		(1)
Gross national product,1972$	bil. 1972 $	1502.6	1470.7	1478.4	1478.4	1471.7	1474.8	-1.9
Index of industrial product.	1967=100	151.0	141.6	139.2	138.2	135.1	138.5	-8.3
Unemployment rate	%	7.6	8.8	9.5	9.9	10.6	9.7	27.2
Capacity utilization rate	%	78.5	71.6	70.3	69.7	67.6	69.8	-11.0
Private housing starts	mil. units	1.084	.919	.958	1.114	1.251	1.061	-2.1
Car sales	mil. units	8.6	8.3	7.5	7.8	8.7	7.9	-8.1

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Gross national product,1972$	bil. 1972 $	.1474.8	1481.1	1493.0	1510.5	1529.1	1503.4	1.9
Index of industrial product.	1967=100	138.5	136.7	139.9	144.8	148.7	142.5	2.9
Unemployment rate	%	9.7	10.9	10.3	9.9	9.5	10.2	5.2
Capacity utilization rate	%	69.8	68.1	69.6	71.2	73.0	70.5	1.0
Private housing starts	mil. units	1.061	1.122	1.421	1.479	1.439	1.365	28.7
Car sales	mil. units	7.9	8.3	8.4	8.2	8.5	8.4	6.3

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Gross national product,1972$	bil. 1972 $	1503.4	1540.0	1553.2	1569.0	1583.2	1561.4	3.9
Index of industrial product.	1967=100	142.5	148.7	152.6	157.0	161.7	155.0	8.8
Unemployment rate	%	10.2	9.3	9.1	8.5	8.2	8.8	-13.7
Capacity utilization rate	%	70.5	74.1	75.0	76.1	76.7	75.5	7.1
Private housing starts	mil. units	1.365	1.398	1.443	1.556	1.479	1.468	7.5
Car sales	mil. units	8.4	8.7	8.8	8.8	9.0	8.9	6.0

*Historical data (1) % change over previous year

1.22 NOMINAL GNP
(Table 1.22 on page 10)

The outlook for 1983 Nominal GNP remains essentially the same. It is no surprise that the fastest growing component will be purchases of goods and services by the federal government: up 11.7 per cent this year due mostly to more defense spending. Overall increases in the GNP are expected to be 4.1 per cent by KEDI.

The main structural change in nominal GNP is seen in the foreign trade component as there will be a significant rise in the import category over exports. Whereas there was a surplus of $17.1 billion in 1982, a deficit of $23.1 billion is projected for this year.

The long-term forecast shows that in 1984 there will be a lessening of the foreign trade deficit to the $6.3 billion range, 1985 will show an approximate balance of exports and imports, and there will be some surplus in 1986.

1.30 EMPLOYMENT AND LABOR
(Table 1.30 on page 11)

Data presented in this forecast are based on the methodology that had been used in 1982 and previous years, i.e. the data do not include some armed forces in the "Civiliam Labor Force". The first government data that include this new component will be released in early February after the date of this Survey. In the new methodology, the data for the "Civilian Labor Force" are higher and, consequently, the unemployment rate is lower when compared with the previous data.

The seasonal adjustment factor may also play a role in the January 1983 government estimate. An unusually low number of persons were hired for the December 1983 Christmas season and, consequently, an unusually low number of persons were released after the Christmas season was over. The seasonal adjustment factor the government is using to adjust the actual unemployment data for January 1983 does not take into account that fact. It may cause the January 1983 unemployment rate to be a bit lower than what would normally be expected.

1.21 PRICES
(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Consumer price index,n.s.a.	1967= 100	272.4	283.0	287.3	292.8	293.0	289.1	6.1
Producer price index,n.s.a.**	1967= 100	269.8	277.7	278.3	281.8	284.6	280.6	4.0
Price deflators:								
GNP	1972= 100	195.5	203.6	206.0	208.4	210.7	207.2	6.0
Personal cons. expenditures	1972= 100	194.5	202.2	204.0	207.7	210.2	206.0	5.9
Gross private dom.investment	1972= 100	184.3	212.3	213.3	214.8	216.7	214.3	16.3
Federal purchases	1972= 100	207.4	218.3	221.6	222.9	223.2	221.5	6.8

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Consumer price index,n.s.a.	1967= 100	289.1	296.6	301.6	305.5	310.7	303.6	5.0
Producer price index,n.s.a.**	1967= 100	280.6	288.5	294.5	299.7	306.3	297.3	6.0
Price deflators:								
GNP	1972= 100	207.2	212.8	216.9	219.4	222.7	218.0	5.2
Personal cons. expenditures	1972= 100	206.0	212.4	216.3	218.5	221.0	217.1	5.4
Gross private dom.investment	1972= 100	214.3	219.7	219.1	222.1	225.2	221.5	3.4
Federal purchases	1972= 100	221.5	229.4	232.6	235.4	240.3	234.4	5.8

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Consumer price index,n.s.a.	1967= 100	303.6	313.4	317.5	324.4	329.8	321.2	5.8
Producer price index,n.s.a.**	1967= 100	297.3	310.1	315.5	323.4	328.6	319.4	7.4
Price deflators:								
GNP	1972= 100	218.0	225.4	229.1	233.8	238.9	231.8	6.3
Personal cons. expenditures	1972= 100	217.1	223.9	227.8	232.6	236.5	230.2	6.3
Gross private dom.investment	1972= 100	221.5	228.5	231.9	236.8	241.3	234.6	5.9
Federal purchases	1972= 100	234.4	244.0	248.7	252.3	256.7	250.4	6.8

*Historical data (1) % change over previous year **Finished goods

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Gross national product	bil.$	2937.7	2995.5	3045,2	3088,2	3101.3	3057.6	4.1
Personal cons. expenditures	bil.$	1843,2	1919.4	1947,8	1986.3	2034.6	1972,0	7.0
Gross private dom.investment	bil.$	471,5	414,4	431.5	443,3	397.9	421,8	-10,5
Net exports	bil.$	26,1	31,3	34,9	6.9	-6.9	16,6	-36,4
Government purchases:								
Federal	bil.$	228.9	249.7	244,3	259.0	276,1	257,3	12,4
State and local	bil.$	368,0	380.4	386.6	392,7	399.6	389,8	5,9

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Gross national product	bil.$	3057,6	3151,8	3238,3	3314.0	3405.3	3277,4	7,2
Personal cons. expenditures	bil.$	1972,0	2041,7	2097,4	2132,7	2180,1	2113,0	7.2
Gross private dom.investment	bil.$	421.8	449.6	470.6	490.3	512.6	480,8	14,0
Net exports	bil.$	16.6	-15,0	-23.6	-25.2	-29,7	-23,4	-
Government purchases:								
Federal	bil.$	257,3	272.9	281.6	291.9	303,4	287.5	11.7
State and local	bil.$	389.8	402,6	412.3	424.3	438.9	419,5	7.6

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Gross national product	bil.$	3277,4	3471.1	3558,4	3684.0	3782.3	3624,0	10,6
Personal cons. expenditures	bil.$	2113,0	2210,4	2266.1	2343.4	2410,7	2307,7	9,2
Gross private dom.investment	bil.$	480,8	517.2	524,6	528.7	536.4	526,7	9,5
Net exports	bil.$	-23.4	-16.0	-14,1	3,0	3.2	-6.0	-
Government purchases:								
Federal	bil.$	285.7	311.6	322.5	334.1	346.8	328.8	11.4
State and local	bil.$	419.5	447.9	459.3	474.7	485.2	466.8	11.3

*Historical data. (1) % change over previous year

TABLE 1.30 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Population	mil.	225,9	228,0	229.2	230,4	231,4	229.6	1.6
Civilian labor force	mil.	108,7	109.1	110,2	110,7	111,7	110.4	1,6
Employment	mil.	100,5	99.5	99,8	99,8	99,8	99,7	-,8
Agriculture	mil.	3,4	3,4	3,4	3,3	3.3	3,4	.0
Non agricult.	mil.	97,1	96.1	96,4	96,5	96.5	96.4	-,7
Unemployment rate	%	7,62	8,77	9,46	9.89	10,63	9,69	27.2

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Population	mil.	229,6	231.5	232,2	232,9	233,4	232.5	1.3
Civilian labor force	mil.	110,4	112,4	113,6	114.7	115.6	114.1	3.4
Employment	mil.	99.7	100,2	101.9	103.4	104.6	102.5	2.9
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	96,4	96.9	98.4	100.0	101.3	99.1	3.1
Unemployment rate	%	9,69	10,89	10.33	9.87	9.54	10.16	4.9

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Population	mil.	232.5	234.5	235.2	236.0	236.9	235.7	1.4
Civilian labor force	mil.	114.1	116.7	117.4	118.2	119.5	118.0	3.4
Employment	mil.	102.5	105.9	106.7	108.1	109.3	107.5	4.7
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	99.1	102.6	103.3	104.7	106.0	104.1	4.7
Unemployment rate	%	10.16	9.27	9.11	8.63	8.20	8.78	-13.6

*Historical data (1) % change over previous year

EMPLOYMENT AND LABOR

KEDI maintains its forecast that the jobless rate in the first two months of this year will be higher than in December 1982--in the old methodology around 11 per cent. There will be slight declines in March and in the following months.

In 1983 high unemployment will persist in steel autos, construction, rubber, plastics, nonelectrical machinery, and metal mining. A few of these areas will see gains in jobs, such as steel and autos, but the total will still be far below normal.

1.41 HOUSING

(Table 1.41 on page 13)

The outlook is not changed in this issue. It is in line with the majority of forecasters in that 1.4 million starts are seen as the total for 1983. In a time of economic growth, a normal rate is 1.8-2 million starts.

There are three basic reasons that this Institute cites as contributing to the subnormal rate for this year: mortgage rates, permits authorized, and joblessness.

First, mortgage rates will still be high by historical standards--beyond the reach of many families budgets. KEDI agrees with the president of the Mortgage Bankers Association, James Wooten, that there will not be any more dramatic drops in interest rates. Also, J. T. Howard, chief economist of the Federal National Mortgage Assoc. indicated that he felt long-term rates would not decline more than about another one-half a per cent. This Institute agrees. However, his forecast that starts will total more than 1.4 million this year is not shared here.

Secondly, The forecast data of permits authorized do not indicate any substantial gain over 1.4 million which is the average calculated here. Permits authorized in 1981 came to 985,500 and 992,500 last year. In comparison, the annual rate in November was 1.192 million and December it edged up to 1.291 million.

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982 1*	1982 2*	1982 3*	1982 4	1982	% (1)
Single-family housing starts	mil.	.706	.586	.603	.638	.795	.656	-7.1
Multifamily housing starts	mil.	.379	.333	.355	.476	.456	.405	6.9
Mobile home shipments	mil.	.241	.238	.246	.234	.232	.238	1.2
Permits authorized	mil.	.969	.832	.924	1.114	1.223	1.023	5.6
1-family unit** price, new	tho.$	83.1	80.8	85.9	92.0	96.9	88.9	7.0
1-family unit** price,existing	tho.$	78.0	79.2	80.8	83.0	87.0	82.5	5.8

Indicator	Unit	1982	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Single-family housing starts	mil.	.656	.684	.860	.897	.865	.827	26.1
Multifamily housing starts	mil.	.405	.438	.561	.582	.574	.539	33.0
Mobile home shipments	mil.	.238	.254	.271	.289	.275	.272	11.9
Permits authorized	mil.	1.023	1.205	1.297	1.314	1.307	1.281	25.2
1-family unit** price, new	mil.	88.9	98.4	101.9	103.4	105.5	102.3	15.1
1-family unit** price,existing	tho.$	82.5	89.1	92.1	95.2	98.1	93.7	13.5

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Single-family housing starts	mil.	.827	.801	.842	.927	.895	.866	4.7
Multifamily housing starts	mil.	.539	.592	.601	.629	.584	.602	11.7
Mobile home shipments	mil.	.272	.254	.278	.296	.292	.280	2.9
Permits authorized	mil.	1.281	1.280	1.365	1.397	1.314	1.339	4.5
1-family unit** price, new	tho.$	102.3	107.5	111.2	114.1	116.7	112.4	9.9
1-family unit** price,existing	tho.$	93.7	99.4	102.3	104.7	107.2	103.4	10.4

*Historical data (1) % change over previous year **Not seas. adjusted

HOUSING

Third, it is unemployment again that puts the damper on forecasts. The projected unemployment is too high to allow the generation of enough income to pay for more houses and mortgages.

1.42 AUTOMOBILES
(Table 1.42 on page 15)

The forecast is not changed. There will be some improvement when compared to 1982 but not too much. Las year 7.9 million cars were sold. The forecast here for 1983 is 8.3 million.

The 11.5 per cent increase in car sales in the first 10 days of January is a bit of good news, but incentives and special low interest rates for financing pushed the sales ahead. Those extra added attractions did not exist in 1982. Hence, a direct comparison is misleading.

The forecast at KEDI for the share of imported autos also remains the same. That share will go down. The following is anticipated:

1. Due to import restrictions, there will be a smaller portion of the market pie for the Japanese cars
2. The portion of imports from Europe will gain a bit--mainly Mercedes Benz, BMW, Volvo, Saab, and Jaguar.

Still, the two together will total less than they did in 1982 in terms of proportions.

During 1983, light truck sales will remain firm by gaining 5 per cent over 1982 and totalling 2.1 million. The share of imports will gain in this market. Mainly light trucks from Japan will be represented.

1.50 BUDGETS
(Table 1.50 on page 17)

The projected deficits by the Administration and KEDI are now roughly the same for fiscal 1983 but diverge for the next year. Both KEDI and the government have had to upwardly revise their estimates of late, especially since the assumption about an additional budget cut of over $20 billion was dropped. The two forecasts are outlined here in billions

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3 *	4		(1)
Passenger cars								
Total sales	mil.	8,6	8.3	7.5	7.8	8.7	7.9	-8.1
Domestic	mil.	6,3	6.0	5.5	5.5	6.1	5.7	-9.5
Imported	mil.	2,3	2,3	2.0	2.2	2,5	2.2	-4.4
Dealers inventories**	mil.	1.5	1.1	1.2	1.6	1.5	1.4	-6.7
Factory shipments	mil.	6,3	4.1	4.9	5.1	1.9	5.0	-1.6
Light-duty truck sales	mil.	1.7	2.2	2.1	2.0	2.1	2.1	23.5

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Passenger cars								
Total sales	mil.	7.9	8.3	8.4	8.2	8.5	8.4	6.3
Domestic	mil.	5.7	6.3	6.3	6.3	6.6	6.3	10.5
Imported	mil.	2.2	2.0	2.1	1.9	2.0	2.1	-4.5
Dealers inventories**	mil.	1.4	1.7	1.8	1.4	1.5	1.6	14.3
Factory shipments**	mil.	5.0	6.0	6.1	5.8	6.4	6.1	22.0
Light-duty truck sales	mil.	2.1	1.9	2.2	2.0	2.1	2.2	4.8

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Passenger cars								
Total sales	mil.	8.4	8.7	8.8	8.8	9.0	8.9	5.9
Domestic	mil.	6.3	6.8	7.0	7.1	7.1	7.0	11.1
Imported	mil.	2.1	1.9	1.8	1.7	1.9	1.9	-9.5
Dealers inventories**	mil.	1.6	1.8	1.7	1.7	1.6	1.7	6.3
Factory shipments**	mil.	6.1	6.8	7.0	6.8	6.9	6.9	13.1
Light-duty truck sales	mil.	2.2	2.1	2.3	2.3	2.1	2.2	.0

*Historical data (1) % change over previous year **Seas. not adjusted

BUDGETS

of dollars in the red.

Fiscal Years	Administration	KEDI
1983	208	206
1984	189	198
1985	194	195
1986	148	151
1987	142	148
1988	117	120

President Reagan outlined the following in his State of the Union message. 1. The July 1 tax cut will be realized. 2. Federal pay will be frozen for a year. 3.The defense budget will be reduced by roughly $10 billion each year starting in 1984 and going through 1988. 4. The 1 per cent surcharge on individual and corporate taxes or any other form of direct taxation and the $5 a barrel excise tax take effect in 1986. At that time recovery growth will be well under way and the taxes won't curtail it but will aid in deficit reduction. 5. Non-defense programs will be cut by approximately 2 per cent in fiscal 1984.

It is, of course, in the assumption stage now about these measures as they will ultimately depend on Congress.

There is no change in the projections of state and local governments. The financial impact of the "New Federalism" plan has not been incorporated.

1.60 INCOME
(Table 1.60 on page 19)

The projection of personal income has remained unchanged. It is seen as expanding by approximately 5.6 per cent during 1983. THE STRUCTURE OF PERSONAL INCOME WILL BE WEAKENED: 1. The forecast shows that the share of labor income will decline in 1983. Such income accounted for 60 per cent of personal income in 1982. It will go down to 57 per cent in 1983 largely due to continued high unemployment and smaller increases in average wage rates when compared to 1982. 2. The share of transfer payments will gain from 15 per cent last year to 18 per cent in 1983.

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Federal govt.:								
Income taxes	bil.$	298.1	299.9	305.8	295.6	299.3	300.2	.5
Corporate prof. tax accruals	bil.$	67.3	45.6	45.2	49.8	50.7	47.9	-29.1
Surplus/deficit	bil.$	-60.0	-118.4	-119.6	-156.0	-184.7	-144.7	241.2
State and local governments:								
Income taxes	bil.$	88,6	93,6	95.4	98.8	100.5	97.1	9.6
Corporate prof. tax accruals	bil.$	10,1	10,1	10.2	10.2	11.3	10.7	5.9
Surplus/deficit	bil.$	31,7	27.7	32.1	32.3	32.1	31.1	-2.0

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Federal govt.:								
Income taxes	bil.$	300.2	302,7	307.9	298.4	306.7	303.9	1.1
Corporate prof. tax accruals	bil.$	47.9	53.2	61.5	67.8	72.0	63.6	32.7
Surplus/deficit	bil.$	-144,7	-189.8	-196.3	-208.2	-190.6	-196.2	33.6
State and local governments:								
Income taxes	bil.$	97,1	103.5	107.9	111.6	112.8	109.0	12.3
Corporate prof. tax accruals	bil.$	10,7	12.1	13.2	13.8	14.3	13.4	25.2
Surplus/deficit	bil.$	31.1	33.0	34.6	36.4	35.1	34.8	11.9

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Federal govt.:								
Income taxes	bil.$	303.9	310.0	323.5	331.7	342.3	326.9	7.6
Corporate prof. tax accruals	bil.$	63.6	73.9	77.0	80.4	84.0	78.9	24.1
Surplus/deficit	bil.$	-196.2	-161.4	-147.5	-132.2	-121.6	-140.7	-22.3
State and local governments:								
Income taxes	bil.$	109.0	113.9	116.2	122.1	125.7	119.5	9.6
Corporate prof. tax accruals	bil.$	13.4	15.2	16.0	16.7	17.3	16.3	21.2
Surplus/deficit	bil.$	34.8	35.1	35.4	36.2	37.2	36.0	3.4

*Historical data (1) % change over previous year

INCOME

The main increase will be in unemployment insurance benefits. They will rise by 19 per cent as compared to the 1982 level. 3. The income of farmers was at a $17.3 billion level last year and is forecast at $17.9 billion in 1983. That is far below normal levels of $20-22 billion. For instance farm income in 1981 was at $24 billion and at $19 billion in '80.

There is a very slight change in the projection of average weekly earnings. They are now seen as increasing 5.9 per cent in 1983 as opposed to 6.0 per cent in the last issue.

The forecast of corporate after-tax profits still shows a 9.3 per cent gain this year from 1982's $117.6 billion to a total of $129 billion which is still far below 1981's $150.9 billion, for example. In 1984, the projection shows profits will approach that amount by piling up to $149 billion.

1.70 MONEY AND CREDIT
(Table 1.70 on page 21)

The Federal Reserve has been pursuing a policy of aggressive relaxation in both monetary and credit policies. (The Fed started to ease the money supply in the middle of 1982.) KEDI assumes that the laid-back policies will soon be over.

Recent statements by the Fed Chairman, Paul Volcker, support that view. He pointed to the need for some restraints so that excessive money supply growth would not unfavorably affect interest rates and hence dampen any recovery.

Price stability is also hardly a sure thing. As Mr. Volcker reminded us, the rate of inflation is just now back to the pace it was in 1971. At that time, the level was considered way too high and wage and price controls were imposed. Monetary and fiscal discipline are needed to promote growth and curtail price hikes.

The money supply M1 jumped $6.9 billion in the week ending January 12. There are indications that the January,1983, growth of M2 will be in

TABLE 1.60 INCOME

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*		1982			1982	% (1)
			1*	2*	3*	4		
Personal income	bil.$	2415.8	2510.5	2552.7	2592.5	2623.2	2569.7	6.4
Personal disposable income	bil.$	2029.1	2117.1	2151.5	2198.1	2223.5	2172.6	7.1
Compensation of employees	bil.$	1767.6	1819.9	1850.8	1868.3	1873.7	1853.2	4.8
Corporate after tax profits	bil.$	150.9	115.9	116.3	119.4	118.9	117.6	-20.1
Personal saving	bil.$	130.2	139.1	144.3	152.0	128.9	141.1	8.4
Average weekly earnings	$	316.8	323.4	329.8	332.9	335.2	330.3	4.3

Indicator	Unit	1982		1983			1983	% (1)
			1	2	3	4		
Personal income	bil.$	2569.7	2659.8	2699.0	2741.2	2797.1	2724.3	6.0
Personal disposable income	bil.$	2172.6	2253.6	2283.2	2331.2	2377.6	2311.9	6.4
Compensation of employees	bil.$	1853.2	1904.5	1949.7	1959.2	2006.1	1954.9	5.5
Corporate after tax profits	bil.$	117.6	122.7	127.3	130.9	133.9	128.7	9.3
Personal saving	bil.$	141.1	150.3	149.1	157.6	156.2	153.3	8.6
Average weekly earnings	$	330.3	338.2	349.1	354.7	356.1	349.5	5.8

Indicator	Unit	1983		1984			1984	% (1)
			1	2	3	4		
Personal income	bil.$	2724.3	2834.8	2878.6	2931.4	2982.6	2906.9	6.7
Personal disposable income	bil.$	2311.9	2410.9	2438.9	2477.6	2514.6	2460.5	6.4
Compensation of employees	bil.$	1954.9	2040.2	2113.6	2154.1	2204.1	2128.0	8.8
Corporate after tax profits	bil.$	128.7	138.8	147.1	153.2	156.9	149.0	15.7
Personal saving	bil.$	153.3	154.6	158.9	161.8	165.2	160.1	4.5
Average weekly earnings	$	349.5	366.0	370.1	374.0	380.7	372.2	6.6

*Historical data (1) % change over previous year

the 15-20 per cent range.

The forecast of consumer installment credit has been increased somewhat. There are no essential changes in the forecast of other monetary and credit aggregates.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Table 1.80 on page 22)

The projection is not changed. KEDI's assumptions about short-term interest rates correspond to the view recently expressed by the Administration. "Short-term interest rates will remain close to their current levels for the next two years." (Wall Street Journal, Jan. 27, page 3.)

This Institute expects long-term rates to gradually increase starting in the latter part of this year. The long-term U.S. Government bond yield is expected to increase from 12.50 in mid-83 to 12.90 at the end of this year. Also, the Aaa bond rate is seen as gaining to 12.70 at the end of 1983 whereas it is projected at the 11.90 per cent level in the middle of this year.

Mortgage rate declines will end soon. KEDI's forecast shows that rate which is about 13.5 per cent currently moving down to 12.8 per cent by the middle of the year and back up to 13.2-13.3 by year's end.

The stock market should show a fairly stable performance throughout the year. No significant ups or downs are anticipated.

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, the Housing Starts for the year 1982 has been selected for comparison. The actual figure has been calculated from the Survey of Current Business, Blue pages, No.12, December 1982 (U.S. Department of Commerce, Washington, D.C., monthly) and the January 1983 Department of Commerce release on Housing Starts. Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1982.) The following table shows the predictions of forecasters and deviations of forecast data.

TABLE 1.70 MONEY AND CREDIT

(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1981*	1982				1982	%
			1 *	2 *	3 *	4		(1)
Currency and demand deposits, M1	bil.$	427.1	448.0	451.8	455.7	471.2	456.7	6.9
Time deposits, adjusted, M2	bil.$	1723.4	1851.1	1895.4	1941.4	1977.6	1916.4	11.2
Consumer instal. credit	bil.$	333.4	327.1	331.9	335.9	345.1	345.1	3.5
Commerc.& indus. loans at banks	bil.$	360.2	369.0	385.1	394.4	405.6	405.6	12.6
Large denomination time dep.	bil.$	295.4	307.7	322.4	338.2	348.6	329.2	11.4
Mortgages at S & L Assns.	bil.$	518.4	515.9	512.7	495.4	491.5	491.5	-5.2

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Currency and demand deposits, M1	bil.$	456.7	476.9	483.2	491.6	497.8	487.4	6.7
Time deposits, adjusted, M2	bil.$	1916.4	2031.7	2086.5	2169.8	2207.4	2123.2	10.8
Consumer instal. credit	bil.$	345.1	354.0	359.8	366.7	373.8	373.8	8.3
Commerc.& indus. loans at banks	bil.$	405.6	409.9	416.6	425.1	438.3	438.3	8.1
Large denomination time dep.	bil.$	329.9	354.7	359.4	366.3	374.2	363.7	10.4
Mortgages at S & L Assns.	bil.$	491.5	497.6	504.3	510.2	519.5	519.5	5.7

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Currency and demand deposits, M1	bil.$	487.4	506.0	515.3	528.2	540.4	522.5	7.2
Time deposits, adjusted, M2	bil.$	2123.2	2239.2	2285.9	2334.3	2408.9	2317.1	9.1
Consumer instal. credit	bil.$	373.8	381.0	389.2	398.5	405.0	405.0	8.3
Commerc.& indus. loans at banks	bil.$	438.3	437.6	451.9	459.8	471.3	471.3	7.5
Large denomination time dep.	bil $	363.7	365.2	379.4	388.5	400.4	383.4	5.4
Mortgages at S & L Assns.	bil.$	519.5	530.3	542.6	551.4	562.6	562.6	8.2

*Historical data (1) % change over previous year

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Treasury bills (3 mo) yield	%	14.03	12.81	11.97	8.10	8.95	10.46	-25.4
Prime rate	%	18.87	16.27	16.50	14.72	12.01	14.88	-21.1
Conventional mortgages rate	%	16.52	17.10	16.58	14.80	13.12	15.40	-6.8
Aaa corporate bonds rate	%	14.17	15.01	14.52	13.69	12.79	14.00	-1.2
20 years Govt. bonds yield	%	13.72	14.27	13.80	12.01	11.87	12.99	-5.3
Standard & Poor's 500 avg.	1941-43=100	128.05	114.25	114.12	113.82	126.49	117.17	-9.5

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Treasury bills (3 mo) yield	%	10.46	9.65	9.71	10.04	11.00	10.10	-5.4
Prime rate	%	14.88	11.04	11.12	11.22	11.68	11.27	-24.3
Conventional mortgages rate	%	15.40	13.03	12.95	13.14	13.22	13.09	-15.0
Aaa corporate bonds rate	%	14.00	12.40	11.78	11.65	11.72	11.89	-15.1
20 years Govt. bonds yield	%	12.99	11.54	12.03	12.14	12.51	12.06	-7.2
Standard & Poor's 500 avg.	1941-43=100	117.17	126.29	125.64	127.43	128.17	126.88	8.2

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Treasury bills (3 mo) yield	%	10.10	11.01	11.17	11.62	12.04	11.46	4.1
Prime rate	%	11.27	11.80	11.96	12.04	12.16	11.99	6.4
Conventional mortgages rate	%	13.09	13.20	13.21	13.28	13.43	13.28	1.5
Aaa corporate bonds rate	%	11.89	11.78	11.94	12.43	12.51	12.17	2.4
20 years Govt. bonds yield	%	12.06	12.87	13.24	13.25	13.30	13.17	9.2
Standard & Poor's 500 avg.	1941-43=100	126.88	126.14	127.31	128.15	126.51	127.03	.1

*Historical data (1) % change over previous year

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Housing Starts, mil. units)

Actual figure: 1,061

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
Prudential	11/30/81	1,300	7	+22.6
National Securities and Research Corporation	12/81	1,300	7	+22.6
U.S. Trust Company	12/81	1,210	9	+14.2
Calvin Myers, The Merchants National Bank of Aurora	12/4/81	1,300	9	+22.6
United Business Service	12/14/81	1,300	11	+22.6
J.A. Livingston	12/27/81	1.228	13	+15.8
Ameri Trust Company	11/81	1,200	14	+13.2
Georgia State	11/81	1,196	15	+12.8
Harris Trust and Savings Bank	11/11/81	1.275	17	+20.2
Chemical Bank	11/19/81	1,100	18	+3.8
American Statistical Association and National Bureau of Economic Research	12/81	1,300	19	+22.6
UCLA	12/81	1.315	20	+24.0
Alex A. Burkholder	12/3/81	1,285	22	+21.2
Paul C. Harnon, Armco	12/4/81	1,200	22	+13.2
The Philadelphia National Bank	12/10/81	1,200	23	+13.2
Standard & Poor's	12/10/81	1.200	24	+13.2
Manufacturers Hanover Trust Company	12/11/81	1,213	25	+14.4
Fidelity Bank	12/18/81	1.180	26	+11.3
Cities Service Company	12/31/81	1.300	27	+22.6
KEDI	1/1/82	1.026	28	-3.2
The First National Bank of Chicago	1/5/82	1.250	29	+17.9
Morgan Guaranty Trust Company	1/7/82	1.163	30	-2.8

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.10 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36

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INSTITUTE**

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President: Dr. Vladimir J. Simunek

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This forecast uses the Fabruary, 1983, U.S. Department of Commerce second estimates of 1982:4 National Income and Product data. Also used is the February 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

There are signs of spring in this forecast. The increase in GNP for 1983 is now seen as 2.4 per cent over the prior year. REAL GROWTH Durable orders, housing starts, new orders, and industrial production all showed elements of gain. Still, temporary influences that pushed some figures ahead lead to caution. PRICES Good news here. The extremely low rate of change in the CPI in January combined with the decline in the Producer Price Index point to more good news. Recovery will not be brought up short by inflation. Inflation is seen at a 3.0 per cent rate this year. EMPLOYMENT The picture here is less than cheery. New jobless claims were up recently. There cannot be vigorous recovery as long as joblessness runs in the 10 per cent range. HOUSING The forecast data have been increased slightly. Housing will edge ahead despite big federal deficits. AUTOS Not to put a wet blanket on it, but again, the jump in January was not the start of a definite trend. Mid-February had grim sales totals. BUDGETS The forecast of the federal deficit is barely changed. KEDI is in rough agreement with the Administration on the deficit size for fiscal 1983 but sees it as lower than they do for 1984. There is a downward revision for surpluses of state and local budgets. INCOME Personal income will hardly change this year in real terms. Corporate profits are seen rising 10.3 per cent. MONEY AND CREDIT The projection is not changed and is within limits set by the Fed. INTEREST RATES The general forecast is being confirmed. The prime rate is seen as averaging 10 per cent this year and mortgage rates will move down to the 11.7 range.

1.02 OVERVIEW

There are signs of Spring, but its hardly time to look forward to daffodils in profusion. Miniature blossoms and some dandelions are more descriptive. Caution is necessary as the recovery will be proceeding. KEDI maintains its prediction: the worst is over.

OVERVIEW

However, it does not mean that there will be vigorous growth this year.

This Institute does not agree with Milton Friedman in his view of the current recession as being one of the most severe in recent decades which means that the rebound will be vigorous. That is the view that looks to mild recessions as being followed by mild recoveries, and severe ones by sharper comebacks. KEDI does not share that interpretation. The growth will be quite mild with acceleration in the latter part of this year and continuing into 1984.

Paul Volcker has made reference to the delicate state of the economy. That is an apt description. KEDI shares his analysis that "the stage has been set for long-lasting, non-inflationary expansion." (The New York Times, Feb. 20, page 2E.)

The recovery will be lead by defense, and by improvements in housing and autos. That has been maintained here for months. Of the forecasters surveyed by Blue Chip Economic Indicators, the average rate of growth predicted for this year was 2.5 per cent with the range going from 0.9 to 4.9 per cent. This Institute falls on the low side of the average. The growth rate here is seen as 2.4 per cent for 1983. (Last month the figure used was projected lower: 1.9.) The 2.4 per cent growth has as its major components:

8.7 million cars sold
1.5 million housing starts
64-68 million tons of steel, and
9.9 per cent as an average unemployment rate

The slow recovery is seen as less slow now due mostly to a revision of housing, autos, and the effect of lower oil prices.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, assumptions No.1 and No.7 have been updated.

ASSUMPTIONS

1. In 1983, it is expected the weighted price of oil will be $28 per barrel; in 1984 it will go up to $30 per barrel; in 1985, to $31 per barrel; and in 1986, $32 per barrel.
2. It is expected that the Mid East problems will continue throughout this year and more normal economic conditions, including a significant resumption in the area of oil exports, will take place not earlier than in 1984.
3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1983-1986 period. In the first half of 1983 some relaxation, and in the second half of 1983 stabilizing is expected.
4. Increase in state and local taxation in 1983-1986 are anticipated.
5. Our foreign trade with China will gain a substantial momentum in 1983 and the following years.
6. In 1983 a good harvest is assumed for this country, and average production of crops is expected in the U.S.S.R. in 1983 and 1984. U.S. record crops are expected in 1985-1986.
7. Average rates of growth in 1983-1986 in the major industrial countries are anticipated: West Germany 2.9%; Italy 2.5%; Great Britain 2.3%; France 2.4%; Japan 2.6%.
8. No drastic changes in international relationships are assumed.

The March 1983 KEDI forecast is highlighted on page 4.

1.10 REAL GROWTH

(Table 1.10 on page 5)

Spring is yielding some sprouts of growth in the economy.

1. Durable orders rose 4.5 per cent in January. That was the third consecutive monthly increase indicating some momentum for gradual recovery. The new orders for big ticket durable goods went over the $80 billion mark for the first time in about ten months. New orders for non-defense capital goods gained 4.1 per cent in Jan.

2. In early February, it was reported that new and unfilled

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1981	1982	1985	1986
Gross national product	bil. 1972$	1502.6	1475.4	1644.9	1715.7
Index of industrial production	1967= 100	151.0	138.6	173.4	184.1
Capacity utilization	%	78.5	69.8	80.2	81.8
Unemployment rate	%	7.6	9.7	7.4	6.9
Private housing starts	%	1.084	1.061	1.707	1.704
Car sales	mil.	8.6	7.9	9.9	10.6
Implicit GNP price deflator	1972= 100	195.6	207.2	237.2	250.7
Consumer price index	1967= 100	272.4	289.1	330.4	348.2
Producer price index*	1967= 100	269.7	280.6	332.5	356.4
Federal deficit	bil.$	-60.0	-144.7	-95.4	-58.7
Personal income	bil.$	2415.8	2569.7	3173.1	3398.7
Prime rate	%	18.87	14.88	11.14	11.31
Mortgage rate	%	16.52	15.41	11.45	12.47
Currency plus demand deposits	bil.$	427.1	456.7	563.6	605.4
Commercial and industrial loans	bil.$	360.6	405.6	504.1	534.7

* Finished goods

TABLE 1.10 REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982 1*	2*	3*	4	1982	% (1)
Gross national product,1972$	bil. 1972 $	1502.6	1470.7	1478.4	1478.4	1473.9	1475.4	-1.8
Index of industrial product.	1967=100	151.0	141.6	139.2	138.2	135.2	138.6	-8.2
Unemployment rate	%	7.6	8.8	9.4	10.0	10.7	9.7	27.6
Capacity utilization rate	%	78.5	71.6	70.3	69.7	67.6	69.8	-11.0
Private housing starts	mil. units	1.084	.919	.958	1.114	1.251	1.061	-2.1
Car sales	mil. units	8.6	8.3	7.5	7.8	8.7	7.9	-8.1

Indicator	Unit	1982	1983 1	2	3	4	1983	% (1)
Gross national product,1972$	bil. 1972 $	1475.4	1486.7	1499.5	1517.8	1538.8	1510.7	2.4
Index of industrial product.	1967=100	138.6	138.3	142.1	146.8	152.2	144.9	4.5
Unemployment rate	%	9.7	10.2	10.0	9.6	9.1	10.0	2.8
Capacity utilization rate	%	69.8	68.1	70.7	72.3	75.2	71.6	2.6
Private housing starts	mil. units	1.061	1.428	1.487	1.517	1.418	1.462	38.7
Car sales	mil. units	7.9	8.4	8.6	8.7	9.0	8.7	10.1

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product,1972$	bil. 1972 $	1510.7	1550.9	1564.7	1581.5	1599.2	1574.1	4.2
Index of industrial product.	1967=100	144.9	153.4	156.3	161.4	166.8	159.5	10.[illegible]
Unemployment rate	%	10.0	9.0	9.0	8.2	8.0	8.5	-14.5
Capacity utilization rate	%	71.6	16.8	77.4	79.3	79.9	78.1	9.[illegible]
Private housing starts	mil. units	1.462	1.458	1.593	1.685	1.497	1.558	6.6
Car sales	mil. units	8.7	8.8	8.9	8.8	9.2	9.0	3.4

*Historical data (1) % change over previous year

orders increased to 157.62 in December from the 150.36 level for November last year.

3. As for retail sales, at least they did not decline. The Jan. total just edged above the December figure.

4. Steel output crept forward a bit in the second week of Feb.. The gain over the prior week was just 1.1 per cent. Capacity utilization edged up to 47.4 per cent.

5. Housing starts went bounding ahead. That is seen as temporary due to the mild weather and the initial result of lower interest rates. (See section 1.41 on Housing.)

6. Industrial production increased by 0.9 per cent. That is a healthy figure, but the housing-related and auto components of the gain are not seen here as ever-repeated events. Auto sales for instance plunged down again through mid-February. Production was up in construction supplies, defense, and space equipment. Improvement here has been forecast by KEDI for some time. The fact is that unemployment will remain on the high side while business capital outlays remain low. These add up to mild recovery.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 7)

It is good news that the recovery will not be accompanied by excessive upward pressures on prices. The Consumer Price Index rose just 0.2 per cent in January. That would translate into an annual rate of only 2.1 per cent if it continued all year. Well, it won't. Still, the inflation rate is now seen as being 3.0 per cent this year. Producer prices declined in January. They were lead by an adjusted drop of 4.2 per cent in energy prices. Home heating oil prices declined sharply. That will continue for three or four months and will more than offset the prices gains for natural gas and electricity.

It is important that prices of crude materials have declined. As recovery begins, there will not be excessive increases in raw material prices. That is a good sign.

1.21 PRICES
(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Consumer price index,n.s.a.	1967=100	272.4	283.0	287.3	292.8	293.1	289.0	6.0
Producer price index,n.s.a.**	1967=100	269.8	277.7	278.3	281.8	284.6	280.6	4.0
Price deflators:								
GNP	1972=100	195.5	203.6	206.0	208.4	210.4	207.1	5.9
Personal cons. expenditures	1972=100	194.5	202.2	204.0	207.7	210.0	206.0	5.9
Gross private dom.investment	1972=100	184.3	212.3	213.3	214.8	213.5	214.5	16.3
Federal purchases	1972=100	207.4	218.3	221.6	222.9	223.9	221.7	6.9

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Consumer price index,n.s.a.	1967=100	289.0	293.7	295.1	298.3	303.4	297.6	3.0
Producer price index,n.s.a.**	1967=100	280.6	283.8	285.6	287.4	288.5	286.3	2.0
Price deflators:								
GNP	1972=100	207.1	211.8	213.4	215.7	218.2	214.8	3.7
Personal cons. expenditures	1972=100	206.0	212.3	213.3	215.8	218.1	214.9	4.3
Gross private dom.investment	1972=100	214.3	216.4	217.4	219.7	222.4	219.0	2.2
Federal purchases	1972=100	221.7	225.7	228.3	231.7	235.2	230.2	3.9

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Consumer price index,n.s.a.	1967=100	297.6	306.7	311.2	315.3	318.7	313.0	5.2
Producer price index,n.s.a.**	1967=100	286.3	292.8	295.8	299.4	306.4	298.6	4.3
Price deflators:								
GNP	1972=100	214.8	221.5	225.0	228.0	231.4	226.5	5.4
Personal cons. expenditures	1972=100	214.9	220.4	223.7	226.2	228.7	224.8	4.6
Gross private dom.investment	1972=100	219.0	225.3	227.8	231.1	235.4	229.9	5.0
Federal purchases	1972=100	230.2	238.7	242.5	245.7	248.9	244.0	6.0

*Historical data (1) % change over previous year **Finished goods

PRICES

As to energy prices, KEDI anticipates a drop to $28-29 per barrel this month with some slight decreases in the following months. Calculations show that such declines in prices will cause a drop in the Producer Price Index by 1.2-1.4 percentage points and in the Consumer Price Index by 0.7. In KEDI's calculations the effect of the anticipated drop in prices of oil in 1983 is the following (in percentage points): unemployment rate: -.1; auto sales: +3.0; steel shipments: +3.0; housing starts: +1.4; and real GNP: +.1.

1.22 NOMINAL GNP

(Table 1.22 on page 9)

In this issue, KEDI's forecast data of nominal GNP and components has been slightly reduced when compared with the February 1983 forecast. The upward revision of forecast data for real GNP and components has been more than compensated by the downward revision of forecast data for price deflators. As the result, this forecast shows the 6.1 per cent increase in nominal GNP for the year 1983 as compared with previously anticipated 7.2 per cent. For the year 1984 the nominal GNP data has been reduced from 10.6 to 9.9 per cent, respectively.

Calculations show that the anticipated drop in oil prices will not significantly affect the proportions among components of GNP: the fastest growing components will be purchases of goods and services by the federal government due mostly to more defense spending and gross private domestic investment due mostly to the expected buildup of inventories. The anticipated drop in oil prices will not significantly afect the U.S. foreign trade balance either--payments for imported oil will be compensated by increases in imports of raw materials and smaller receipts for exports.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 11)

The outlook here remains bleak. Although KEDI is among those that see unemployment for the year close to 10 per cent of the civilian labor force, there are forecasters that look to a rate moving

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Gross national product	bil.$	2937.7	2995.5	3045.2	3088.2	3101.4	3057.6	4.1
Personal cons. expenditures	bil.$	1843.2	1919.4	1947.8	1986.3	2031.5	1971.3	6.9
Gross private dom. investment	bil.$	471.5	414.4	431.5	443.3	392.4	420.4	-10.8
Net exports	bil.$	26.1	31.3	34.9	6.9	.8	18.5	-29.1
Government purchases:								
Federal	bil.$	228.9	249.7	244.3	259.0	277.9	257.7	12.6
State and local	bil.$	368.0	380.4	386.6	392.7	398.9	389.7	5.9

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Gross national product	bil.$	3057.6	3149.3	3194.6	3273.6	3357.9	3243.9	6.1
Personal cons. expenditures	bil.$	1971.3	2046.8	2069.0	2107.5	2147.6	2092.7	6.2
Gross private dom. investment	bil.$	420.4	443.0	455.2	475.2	501.5	468.7	11.5
Net exports	bil.$	18.5	-14.3	-19.8	-20.4	-25.6	-20.0	-
Government purchases:								
Federal	bil.$	257.7	269.5	277.4	288.0	298.0	283.2	9.9
State and local	bil.$	389.7	409.3	412.8	423.3	436.4	419.2	7.6

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Gross national product	bil.$	3243.9	3435.0	3520.5	3605.9	3701.2	3565.7	9.9
Personal cons. expenditures	bil.$	2092.7	2182.0	2229.4	2270.6	2314.2	2249.1	7.5
Gross private dom. investment	bil.$	468.7	518.9	535.7	554.9	581.1	547.7	16.9
Net exports	bil.$	-20.0	-20.3	-18.5	-16.4	-11.5	-16.7	-
Government purchases:								
Federal	bil.$	283.2	307.7	316.2	325.6	333.8	320.8	13.2
State and local	bil.$	419.2	446.7	457.7	471.2	483.5	464.8	10.9

*Historical data. (1) % change over previous year

toward 10.5 or more.

Jobless claims were up in late January with over 50,000 citizens making their first-time claim for benefit checks. That is a part of a bleak picture.

The basic reason can be traced to the structural changes in the economy as the shift toward SERVICES and HIGH TECHNOLOGY continues. A permanently lower level of employment will exist in the so-called basic industries of steel, autos, machine tools, and textiles, for example. They will not gain their former pre-eminence in the economic mosaic of this nation.

The forecast of the average workweek of production workers in manufacturing remains the same. It is seen as increasing very gradually from an average of 36 hours per week in the first half of this year to 36.6 in the second part and 37.4 hours in 1984.

1.41 HOUSING

(Table 1.41 on page 13)

The forecast has been slightly revised upwards for the year 1983. Housing starts are seen as being at the 1.5 million level for 1983 and 1.6 million for 1984. KEDI agrees with the forecast of Richard Pratt, chairman of the Federal Home Loan Bank Board as he also sees a total of 1.4 - 1.5 million starts for this year. That is still below more normal levels of the recent past.

Housing starts in January jumped ahead to an adjusted annual rate of 1.7 million-- a gain of 35.9 per cent. However, the unusually mild weather of that month had a great influence.

The basic reason for this Institute's forecast of housing starts is found in the general sluggish economy, high unemployment, and relatively high interest rates. Projected unemployment is simply too high to allow the generation of enough income to pay for more houses and mortgages.

KEDI does not agree that the size of the federal deficit is holding building down. It is not seen here as putting a strain on capital

TABLE 1.30 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3 *	4		
Population	mil.	225.9	228.0	229.2	230.4	231.4	229.6	1.6
Civilian labor force	mil.	108.7	109.2	110.1	110.6	111.0	110.2	1.4
Employment	mil.	100.5	99.7	99.7m	99.6	99.1	99.5	-.8
Agriculture	mil.	3.4	3.4	3.4	3.3	3.3	3.4	.0
Non agricult.	mil.	97.1	96.3	96.3	96.3	96.8	96.1	-1.0
Unemployment rate	%	7.62	8.81	9.42	9.97	10.67	9.72	27.6

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.2	112.3	113.4	114.5	115.4	113.9	3.4
Employment	mil.	99.5	99.8	102.0	103.5	104.9	102.6	3.1
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	96.1	96.5	98.6	100.1	101.6	99.2	3.2
Unemployment rate	%	9.72	10.17	10.01	9.64	9.14	9.99	2.8

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Population	mil.	233.5	234.5	235.2	236.0	236.9	235.7	1.4
Civilian labor force	mil.	113.9	116.3	117.2	118.3	119.4	117.8	3.4
Employment	mil.	102.6	105.8	106.7	108.6	109.9	107.7	5.0
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	99.2	102.5	103.3	104.2	106.6	104.3	5.1
Unemployment rate	%	0.99	9.02	8.97	8.20	7.96	8.54	-14.5

*Historical data (1) % change over previous year

capital markets. That has been stated here before. There is capital available from other sectors of the economy. HUGE FEDERAL BUDGET DEFICITS WILL NOT PUSH HOUSING DOWN.

1.42 AUTOMOBILES

(Table 1.42 on page 15)

During January, auto production had a sharp increase of 10 per cent. That is not the start of a trend. KEDI agrees with Mr. Sinai of Data Resources that auto recovery will move in "fits and starts."

The mid-February auto sales slid down by 12.7 per cent compared with the same selling period of a year ago. That was also the second straight period in which sales dropped below year-earlier levels. The daily selling rate was the worst since the 1961 mid-February total. If it were not for the sales campaigns, the total would have been even lower.

The decline again points to the fact that there will be no dramatic increase in sales. Hence, there will not be any significant gains in production and employment in the struggling auto industry.

This Institute predicts 8.7 million car sales for the year 1983. The 1984 total is calculated at a slightly higher 8.9 million. Both are below more normal rates of around 10 million.

KEDI projections show that ambitious plans of auto executives will be trimmed. Their production schedules will be at 6.4-7.0 million levels.

1.50 BUDGETS

(Table 1.50 on page 17)

The forecast of the fiscal 1983-88 federal budget deficits remains essentially unchanged. It is based on the assumption that no additional federal taxes will be imposed during that period and that budget cuts and other reductions will be

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Single-family housing starts	mil.	.706	.586	.603	.638	.795	.656	-7.1
Multifamily housing starts	mil.	.379	.333	.355	.476	.456	.405	6.9
Mobile home shipments	mil.	.241	.238	.246	.234	.231	.238	1.2
Permits authorized	mil.	.969	.832	.924	1.114	1.223	1.023	5.6
1-family unit** price, new	tho.$	83.1	80.8	85.9	92.0	96.9	88.9	7.0
1-family unit** price,existing	tho.$	78.0	79.2	80.8	83.0	87.0	82.5	5.8

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Single-family housing starts	mil.	.656	.914	.934	.945	.862	.916	39.6
Multifamily housing starts	mil.	.405	.514	.553	.572	.546	.546	34.8
Mobile home shipments	mil.	.238	.254	.272	.288	.274	.272	17.7
Permits authorized	mil.	1.023	1.282	1.394	1.499	1.374	1.387	35.6
1-family unit** price, new	mil.	88.9	98.5	101.8	103.5	105.7	102.4	15.1
1-family unit** price,existing	tho.$	82.5	89.3	92.1	95.4	98.2	93.8	13.5

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Single-family housing starts	mil.	.916	.882	.976	1.041	.895	.949	3.6
Multifamily housing starts	mil.	.546	.576	.617	.644	.602	.610	11.7
Mobile home shipments	mil.	.272	.256	.280	.302	.301	.285	4.8
Permits authorized	mil.	1.387	1.362	1.447	1.509	1.489	1.452	5.1
1-family unit** price, new	tho.$	102.4	107.9	111.8	114.9	117.2	113.0	10.4
1-family unit** price,existing	tho.$	93.8	99.5	102.6	104.9	107.4	103.6	11.3

*Historical data (1) % change over previous year **Not seas. adjusted

of the size and type recently proposed. The five main proposals made by President Reagan are repeated here.

1. Carry on with the July first tax cut
2. Freeze federal pay for a year.
3. Reduce defense by about $10 billion a year from 1984 through 1988.
4. Putting a 1 per cent surcharge on individual and corporate taxes and another $5 per barrel tax on oil starting in 1986.
5. Cut non-defense programs by roughly 2 per cent in fiscal 1984.

KEDI supports the stand of our President. He also recently said he would veto any move to repeal tax indexing or scale back the scheduled July income tax reduction. This not the time for more taxes. Once a recovery is well on its way is the time. Late 1985 or 1986 seems about the right time to both KEDI and the President for more taxes such as the added $5 on oil. Tax indexing that will be reality in 1985 is supported here. It will help prevent inflation from pushing taxpayers into higher brackets.

Projection shows that state and local taxes will be increasing heavily between this year and 1988. Social security taxes will also continue upward. These two together will put a heavier burden on citizens and the indexing will be at least some relief.

State and local budgets The projection here of surpluses has been reduced. Larger expenditures are now seen over the next few years than had been forecast previously by KEDI. The expected tax hikes will not entirely match higher expenses. Consequently, there will be smaller surpluses of all states considered together. (KEDI presents state budget information based on U.S. Department of Commerce data which is calendar year and includes contributions to social insurance funds.)

1.60 INCOME

(Table 1.60 on page 19)

Personal income remained virtually unchanged in January. Such data do not point to anything like "let the good times roll."

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Passenger cars								
Total sales	mil.	8.6	8.3	7.5	7.8	8.7	7.9	-8.1
Domestic	mil.	6.3	6.0	5.5	5.5	6.1	5.7	-9.5
Imported	mil.	2.3	2.3	2.0	2.2	2.5	2.2	-4.4
Dealers inventories**	mil.	1.5	1.1	1.2	1.6	1.5	1.4	-6.7
Factory shipments	mil.	6.3	4.1	4.9	5.1	1.9	5.0	-1.6
Light-duty truck sales	mil.	1.7	2.2	2.1	2.0	2.1	2.1	23.5

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	7.9	8.4	8.6	8.7	9.0	8.7	10.1
Domestic	mil.	5.7	6.3	6.4	6.7	6.9	6.6	15.7
Imported	mil.	2.2	2.1	2.2	2.0	2.1	2.1	-4.5
Dealers inventories**	mil.	1.4	1.7	1.9	1.9	1.8	1.8	28.6
Factory shipments**	mil.	5.0	6.2	6.3	6.6	6.7	6.4	28.0
Light-duty truck sales	mil.	2.1	1.9	2.2	2.0	2.1	2.2	4.8

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	8.7	8.8	8.9	8.8	9.2	9.0	3.4
Domestic	mil.	6.6	6.8	7.1	7.1	7.2	7.1	7.6
Imported	mil.	2.1	2.0	1.8	1.7	1.9	1.9	-9.5
Dealers inventories**	mil.	1.8	1.9	2.0	1.9	1.9	1.9	5.6
Factory shipments**	mil.	6.4	6.8	7.2	6.9	7.1	7.0	9.4
Light-duty truck sales	mil.	2.2	2.1	2.3	2.4	2.2	2.3	4.5

*Historical data (1) % change over previous year **Seas. not adjusted

INCOME

They haven't really started yet, and, frankly, they won't, but the economy will creep ahead. Some sectors will not budge much at all. If one takes into account the following two factors, there is not any bright outlook for significant increases in personal income this year.

1. High unemployment that will persist in 1983
2. Small cost-of-living adjustments in wages and salaries due to the expected slow inflation rate.

The forecast of average weekly earnings of factory workers has been decreased slightly for 1983 and following years. This is mainly due to the downward revision of consumer price forecasts and the resulting downward revision of the cost-of-living wage changes.

The forecast of corporate profits remains essentially the same. They will rise by 10.3 per cent this year, and 1984 profits will exceed 1983 by 16.0 per cent. That is, the 1984 after-tax profits will again reach the level of 1980.

1.70 MONEY AND CREDIT

(Table 1.70 on page 21)

The projection of monetary aggregates for 1983 remains essentially unchanged. It is within the limits recently approved by the Fed's Open Market Committee for M1 and just at the upper limit for M2 as can be seen here.

	Target Ranges in 1983	KEDI's Projection
M1	4 - 8%	6.2%
M2	7 -10%	10.0%

The Fed's targets for M1 are both broader and higher than they were last year. Then, the M1 target was 5.5 per cent. If they will allow M1 to grow close to the upper target, there will be a need for more restrictive monetary and credit policies.

KEDI maintains the assumption that in the second part of this year and during 1984, the Federal Reserve will continue to fight against

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2 *	3*	4		
Federal govt.:								
Income taxes	bil.$	298.1	299.9	305.8	295.6	299.2	300.1	.7
Corporate prof. tax accruals	bil.$	67.3	45.6	45.2	49.8	50.6	47.8	-29.0
Surplus/deficit	bil.$	-60.0	-118.4	-119.6	-156.0	-186.9	-145.2	242.0
State and local governments:								
Income taxes	bil.$	88.6	93.6	95.4	98.8	100.4	97.1	9.6
Corporate prof. tax accruals	bil.$	10.1	10.1	10.2	10.2	11.2	10.4	3.0
Surplus/deficit	bil.$	31.7	27.7	32.1	32.3	32.0	31.0	-2.2

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	300.1	303.5	308.2	298.6	308.8	304.8	1.6
Corporate prof. tax accruals	bil.$	47.8	53.1	60.4	64.8	70.1	62.1	29.9
Surplus/deficit	bil.$	-145.2	-190.2	-196.8	-208.9	-190.4	-196.6	35.4
State and local governments:								
Income taxes	bil.$	97.1	103.7	108.0	112.4	113.9	109.5	12.8
Corporate prof. tax accruals	bil.$	10.4	12.2	13.3	13.9	14.4	13.5	29.8
Surplus/deficit	bil.$	31.0	32.9	34.5	35.1	34.8	34.3	10.6

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	304.8	314.6	325.1	336.4	348.1	331.1	8.6
Corporate prof. tax accruals	bil.$	62.1	74.1	79.2	83.5	86.2	80.1	29.0
Surplus/deficit	bil.$	-196.6	-160.3	-146.5	-131.1	-118.7	-139.2	-21.2
State and local governments:								
Income taxes	bil.$	109.5	114.0	117.1	123.9	127.2	120.6	10.1
Corporate prof. tax accruals	bil.$	13.5	15.5	16.8	17.4	18.4	17.0	25.9
Surplus/deficit	bil.$	34.3	34.7	34.8	35.2	35.8	35.2	2.6

*Historical data (1) % change over previous year

inflation by moderately restrictive policy. The view that the new targets will set the stage for lower interest rates and bolster recovery is shared here. It corresponds with the logical assumption observed by Mr. Volcker that slower growth in the supply of money and low inflation levels are consistent with interest rates moving down.

The recent efforts of the Open Market Committee to emphasize CREDIT GROWTH are supported at this Institute. Their published expected growth range for domestic nonfinancial debt is in the 8.5-11.5 range. Such debt has grown at an average of about 8.7 pet cent in recent years.

Standard money measures are becoming less and less meaningful. It is a step in the right direction for the Open Market Committee to take the step mentioned. Today, nonfinancial credit growth--tomorrow, all credit aggregates? That would be a capital idea.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

(Table 1.80 on page 22)

Since 1981, KEDI had been projecting that interest rates in 1983 would edge down for most of the year and then go up a bit at the end of the year. In 1981 and in current issues, 1984 has been seen as relatively stable in terms of such rates.

The general trend forecast is maintained, but there is a reduction of roughly 1 percentage point in the forecast for interest rates when compared with the projection in the last issue.

For example, the prime rate is now seen as averaging 10 per cent this year, whereas it was put in the 10.5-11.0 bracket formerly. The mortgage rate is now seen as being in the 11.7 per cent range as opposed to an average of 12.4 cited in the last issue.

Concerning the mortgage rate, projections here show that we are still a long way indeed from rates 7-8 per cent that were the norm in 1976-77. This Institute does not even agree that rates 9-10 per cent are likely. Such figures were mentioned by Housing Secretary Samuel Pierce as being possible later this year. There is no change in the forecast of the stock market.

TABLE 1.60 INCOME

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3 *	4		(1)
Personal income	bil.$	2415.8	2510.5	2552.7	2592.5	2626.9	2570.6	6.4
Personal disposable income	bil.$	2029.1	2117.1	2151.5	2198.1	2227.1	2173.5	7.1
Compensation of employees	bil.$	1767.6	1819.9	1850.8	1868.3	1875.9	1853.8	4.9
Corporate after tax profits	bil.$	150.9	115.9	116.3	119.4	118.5	117.5	-22.1
Personal saving	bil.$	130.2	139.1	144.3	152.0	135.3	142.7	9.6
Average weekly earnings	$	316.8	323.4	329.8	332.9	334.1	330.1	4.2

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Personal income	bil.$	2570.6	2654.4	2691.1	2733.2	2782.0	2715.2	5.6
Personal disposable income	bil.$	2173.5	2247.2	2274.9	2322.2	2359.3	2300.9	5.9
Compensation of employees	bil.$	1853.8	1899.0	1939.6	1952.4	1998.7	1947.4	5.0
Corporate after tax profits	bil.$	117.5	122.4	127.6	132.7	135.8	129.6	10.3
Personal saving	bil.$	142.7	140.2	145.6	154.3	151.1	147.8	3.6
Average weekly earnings	$	330.1	335.2	342.1	350.7	354.2	345.6	4.7

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Personal income	bil.$	2715.2	2826.3	2892.0	2955.5	3018.6	2923.1	7.7
Personal disposable income	bil.$	2300.9	2397.7	2449.8	2495.2	2453.3	2471.5	7.4
Compensation of employees	bil.$	1947.4	2031.5	2126.4	2169.7	2223.5	2137.8	9.8
Corporate after tax profits	bil.$	129.6	139.8	148.2	155.1	158.3	150.3	16.0
Personal saving	bil.$	147.8	154.8	159.2	162.3	166.7	160.8	8.8
Average weekly earnings	$	345.6	362.1	367.2	372.3	377.2	369.7	7.0

*Historical data (1) % change over previous year

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, Car Sales for the year 1982 has been selected for comparison. The actual figure has been calculated from the Survey of Current Business, Blue pages, No. 1, January 1983 (U.S. Department of Commerce, Washington, D.C., monthly) and the February 1983 Department of Commerce release on Car Sales. Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1982.) The following table shows the predictions of forecasters and deviations of forecast data.

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Car Sales, mil. units)

Actual figure: 7.9

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
AmeriTrust Company	11/81	9.2	14	16.5
Georgia State University	11/81	8.98	15	13.7
Chemical Bank	11/19/81	9.2	18	16.5
UCLA	12/81	8.3	20	5.1
The Philadelphia National Bank	12/10/81	9.4	23	19.0
Standard & Poor's Corporation	12/10/81	9.1	24	15.2
KEDI	1/1/82	8.3	28	5.1
The First National Bank of Chicago	1/5/82	9.8	29	24.1

TABLE 1.70 MONEY AND CREDIT

(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Currency and demand deposits, M1	bil.$	429.6	448.0	451.8	455.7	472.8	475.1	6.4
Time deposits, adjusted, M2	bil.$	1741.7	1851.1	1895.4	1941.9	1983.4	1918.0	10.1
Consumer instal. credit	bil.$	333.4	327.1	331.9	335.9	345.1	345.1	3.5
Commerc.& indus. loans at banks	bil.$	360.2	369.0	385.1	394.4	395.7	395.7	9.9
Large denomination time dep.	bil.$	295.4	307.7	322.4	338.2	342.5	327.7	10.9
Mortgages at S & L Assns.	bil.$	518.4	515.9	512.7	495.4	491.5	491.5	-5.2

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Currency and demand deposits, M1	bil.$	475.1	477.3	484.2	492.1	499.6	488.5	6.9
Time deposits, adjusted, M2	bil.$	1918.0	2031.9	2086.8	2170.4	2208.3	2124.5	10.8
Consumer instal. credit	bil.$	345.1	354.0	359.6	366.4	373.6	373.6	8.3
Commerc.& indus. loans at banks	bil.$	395.7	409.0	412.7	418.0	429.6	429.6	8.6
Large denomination time dep.	bil.$	327.7	354.3	356.2	362.1	370.4	360.8	10.1
Mortgages at S & L Assns.	bil.$	491.5	497.9	505.4	513.7	523.9	523.9	6.6

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Currency and demand deposits, M1	bil.$	488.5	506.8	516.1	529.4	543.1	523.9	7.2
Time deposits, adjusted, M2	bil.$	2124.5	2240.3	2287.2	2336.4	2411.5	2318.9	9.1
Consumer instal. credit	bil.$	373.6	381.1	389.3	398.6	405.1	405.1	8.4
Commerc.& indus. loans at banks	bil.$	429.6	427.8	452.9	460.4	469.8	469.8	9.4
Large denomination time dep.	bil $	360.8	365.3	379.5	388.4	400.3	383.4	6.4
Mortgages at S & L Assns.	bil.$	523.9	533.3	545.7	555.8	567.7	567.7	8.4

*Historical data (1) % change over previous year

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Treasury bills (3 mo) yield	%	14.03	12.81	11.97	8.10	7.91	10.20	-27.3
Prime rate	%	18.87	16.27	16.50	14.72	11.96	14.86	-21.2
Conventional mortgages rate	%	16.52	17.10	16.58	14.80	13.79	15.57	-5.3
Aaa corporate bonds rate	%	14.17	15.01	14.52	13.69	11.88	13.78	-2.8
20 years Govt. bonds yield	%	13.72	14.27	13.80	12.01	10.72	12.70	-7.4
Standard & Poor's 500 avg.	1941-43=100	128.05	114.25	114.12	113.82	138.71	120.23	-6.0

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Treasury bills (3 mo) yield	%	10.20	7.84	7.71	7.83	7.92	7.83	-23.2
Prime rate	%	14.86	10.76	10.14	10.02	10.17	10.27	-30.9
Conventional mortgages rate	%	15.57	13.14	12.71	12.24	11.14	12.31	-20.9
Aaa corporate bonds rate	%	13.78	11.65	11.14	11.22	11.38	11.35	-17.6
20 years Govt. bonds yield	%	12.70	11.12	11.53	11.67	11.59	11.48	-9.6
Standard & Poor's 500 avg.	1941-43=100	120.23	134.10	130.27	126.51	128.14	129.76	7.9

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Treasury bills (3 mo) yield	%	7.83	8.64	8.78	9.45	10.14	9.25	18.1
Prime rate	%	10.27	10.48	10.78	11.34	11.72	11.08	7.9
Conventional mortgages rate	%	12.31	11.03	10.84	11.14	11.27	11.07	-10.9
Aaa corporate bonds rate	%	11.35	11.22	11.04	11.06	11.35	11.17	-1.6
20 years Govt. bonds yield	%	11.48	11.73	11.79	11.91	11.84	11.82	3.0
Standard & Poor's 500 avg.	1941-43=100	129.76	129.56	131.47	132.56	130.47	131.02	1.0

*Historical data (1) % change over previous year

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.10 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr. loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

APRIL 1983 ISSUE

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KEDI ECONOMIC SURVEY

APRIL 1983 ISSUE

President: Dr. Vladimir J. Simunek

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This forecast uses the March, 1983, U.S. Department of Commrece third estimates of 1982:4 National Income and Product data. Also used is the March 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial, and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

Real GNP is now seen at 2.6 per cent higher this year than in 1982. When looking at the change from the fourth quarter of last year to the last quarter of the current year, the figure is 4.4 per cent which is just a bit lower than Reagan's late-March revision to 4.7 per cent. REAL GROWTH The outlook for slow growth remains. High unemployment and interest rates and low levels of gains in basic industries will prevent any significant expansion. Retail sales, machine tool orders and factory orders were off, but there were gains in industrial production, shipments, and operating rates. PRICES Inflation is forecast at 2.9 per cent for 1983. EMPLOYMENT The current forecast of average unemployment this year is about 9.7 per cent. It will edge down each quarter. HOUSING The forecast is increased slightly here to 1.6 million starts. Although starts were strong in Feb, there was weakness in the important single-family category. AUTOS There is no change in the projection. Gradual gains throughout the year will help, but production will still be on the low side. BUDGETS KEDI forecasts the fiscal '83 and '84 budget deficits of $202 billion and $178 billion, respectively. That will not stifle recovery. INCOME Although personal income will move up a bit this year, disposable income will not as state and local taxes get a larger share. MONEY AND CREDIT Growth in M1 will exceed targets, but that will not nudge inflation ahead. INTEREST RATES The prime rate will end the year in the 10 - 11 per cent range. Long-term rates will take a snail's pace in moving down through the year.

1.02 OVERVIEW

President Reagan announced on March 25 that the revised forecast of the Administration showed growth would be at 4.7 per cent in terms of real GNP BETWEEN THE FOURTH QUARTER OF 1982 AND THE FOURTH QUARTER OF THIS YEAR. The reader can see KEDI's quarterly figures for GNP on page 5 of the March issue. The percentage change

OVERVIEW

came out to 4.4 per cent. So, by that measure KEDI was just slightly less optimistic than the Administration.

The more common method of dealing with growth is to use the average yearly change in real GNP. By that measure, KEDI now looks to a 2.6 per cent expansion this year. (That is up from the March issue figure. The early strength in housing starts in the face of continued unemployment had not been fully anticipated here and is the main reason for the revision.)

The country is edging out of the recession. The delicate condition of the economy means it does need special pampering. Spring blossoms do best with tender care, fertilizer, sun, and water. While a plant is blossoming is no time to see how it will do with less. The blossoms of growth in the economy could wilt if the stubborn budget balancers have their way.

The proposals they have made to cut the defense budget and increase taxes would really nip any growth right in the bud. Cuts mean less income. That means less to spend and lower demand. When demand goes down, less is bought. That leads to less output which bring about more unemployment. Taxes collected then go down, and so it goes. Projections show that 1985 will be the time to take such steps AND NOT BEFORE as recovery will be solidly established then.

Commerce Secretary Malcolm Baldrige predicted a strong recovery in early March. He cited inventory reduction, fourth quarter sales, and lower oil prices in particular as the reasons he felt the Administration estimates of growth made last fall were conservative-- 3 per cent in the second quarter and 4 per cent in each of the last two quarters of this year. Again, KEDI does not agree. Recovery will not be that strong.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, assumptions No.1 and No.6 have been updated.

ASSUMPTIONS

1. In 1983, it is expected the weighted price of oil will be $27 per barrel; in 1984 it will go up to $29 per barrel; in 1985, to $30 per barrel; and in 1986, $32 per barrel.
2. It is expected that the Mid East problems will continue throughout this year and more normal economic conditions, including a significant resumption in the area of oil exports, will take place not earlier than in 1984.
3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1983-1986 period. In the first half of 1983 some relaxation, and in the second half of 1983 stabilizing is expected.
4. Increases in state and local taxation in 1983-1986 are anticipated.
5. Our foreign trade with China will gain a substantial momentum in 1983 and the following years.
6. In 1983 and 1984 good harvests are assumed for this country, and average production of crops is expected in the U.S.S.R. and China in these years. U.S. record crops are expected in 1985-1986.
7. Average rates of growth in 1983-1986 in the major industrial countries are anticipated: West Germany 2.9%; Italy 2.5%; Great Britain 2.3%; France 2.4%; Japan 2.6%.
8. No drastic changes in international relationships are assumed.

The April 1983 KEDI forecast is highlighted on page 4.

1.10 REAL GROWTH

(Table 1.10 on page 5)

The projection here of real GNP growth has been changed from 2.4 to 2.6 per cent for 1983. KEDI is in agreement with the average of the 46 forecasters covered by Blue Chip Economic Indicators. That average also increased this month. The growth figure in the 4 - 5 per cent range mentioned by the Administration and others is seen as too high given the outlook for unemployment and interest rates--to mention only two aspects that are not seen here as changing much this year.

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1981	1983	1985	1986
Gross national product	bil. 1972$	1502.6	1476.1	1649.9	1722.8
Index of indus. production	1967= 100	151.0	138.6	175.1	188.2
Capacity utilization	%	78.5	69.8	80.1	81.9
Unemployment rate	%	7.6	9.7	7.3	6.9
Private housing starts	mil.	1.084	1.061	1.707	1.704
Car sales	mil.	8.6	7.9	9.9	10.6
Implicit GNP price deflator	1972= 100	195.6	207.1	235.2	247.3
Consumer price index	1967= 100	272.4	289.0	328.1	346.2
Producer price index*	1967= 100	269.8	280.6	332.9	351.4
Federal deficit	bil.$	-60.0	-149.3	-101.2	-69.3
Personal income	bil.$	2415.8	2569.9	3231.4	3462.8
Prime rate	%	18.87	14.86	11.22	11.07
Mortgage rate	%	16.52	15.57	11.50	11.38
Currency plus demand deposits	bil.$	429.6	475.4	573.2	620.7
Commercial and industrial loans	bil.$	360.2	395.7	508.2	541.3

* Finished goods

TABLE 1.10 REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Gross national product,1972$	bil. 1972 $	1502.6	1470.7	1478.4	1478.4	1477.2	1476.1	-1.2
Index of industrial product.	1967=100	151.0	141.6	139.2	138.2	135.2	138.6	-8.2
Unemployment rate	%	7.6	8.8	9.4	10.0	10.7	9.7	27.6
Capacity utilization rate	%	78.5	71.6	70.3	69.7	67.6	69.8	-11.0
Private housing starts	mil. units	1.084	.919	.958	1.114	1.251	1.061	-2.1
Car sales	mil. units	8.6	8.3	7.5	7.8	8.7	7.9	-8.1

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Gross national product,1972$	bil. 1972 $	1476.1	1488.7	1504.6	1520.7	1541.2	1513.8	2.6
Index of industrial product.	1967=100	138.6	137.6	141.2	145.9	150.7	143.9	3.8
Unemployment rate	%	9.7	10.3	10.2	9.7	9.3	9.8	1.5
Capacity utilization rate	%	69.8	68.3	70.4	72.1	75.2	71.5	2.5
Private housing starts	mil. units	1.061	1.450	1.516	1.558	1.504	1.514	42.7
Car sales	mil. units	7.9	8.4	8.6	8.7	9.0	8.7	10.1

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Gross national product,1972$	bil. 1972 $	1513.8	1554.8	1569.8	1584.2	1605.3	1578.5	4.3
Index of industrial product.	1967=100	143.9	153.4	156.1	160.5	165.4	158.9	10.4
Unemployment rate	%	9.8	9.1	8.9	8.6	8.2	8.7	-11.8
Capacity utilization rate	%	71.5	76.8	77.4	79.3	79.9	78.1	9.1
Private housing starts	mil. units	1.514	1.479	1.651	1.765	1.588	1.621	7.1
Car sales	mil. units	8.7	8.8	8.9	8.8	9.2	9.0	3.4

*Historical data (1) % change over previous year

REAL GROWTH

KEDI agrees with Martin Feldstein of the President's Council that excessive optimism needs to be curtailed. Recent favorable news doe not mean there is strength and durability everywhere.

As to interest rates, they will remain on the high side. In historical terms, recent declines do not amount too much. Double-digit levels are going to remain. This Institute shares the view of Michael Evans that rates will stay near their current levels for the rest of this year and edge up some in 1984.

The main reason the forecast in this issue has been increased somewhat in terms of GNP is that there is a ripple effect from recent lower oil prices and additional revisions made in the forecasts for the housing industry, inventories changes, and some other sectors.

Still, both the growth for 1983 seen in recent issues and this current one can only be called slow growth. Basically, the interest rates are an important factor in the slowness.

Secondly, the level of unemployment being and remaining in the 9-10 per cent range for this year contributes to slow recovery. Those out of work are obviously not producing and are consuming much less.

Thirdly, the U.S. position in relation to other countries goods and services is not exactly at a high point. Our export-import relationship is not going to improve much. The high value of dollars has contributed to a decline in exports. The dollar will likely edge down more in relation to other currencies later this year, but the change will not be of great help to exports.

The economic news continues to be fairly mixed which lends support to the outlook for growth of a mild nature. Three areas showed declines.

1. Retail sales were down by 0.4 per cent in February, seasonally adjusted. Also, the January figure which had been shown as posting a bit of gain in preliminary estimates, was sharply revised to show that month also was down. The revised figure was 0.5 per cent as a decline in the first month of 1983.

2. Machine tool orders were off by 24 per cent in January. They were

55 per cent below the level of a year earlier.

3. Factory orders for durable goods declined, seasonally adjusted, by 4 per cent. A drop in defense orders was mainly responsible.

4. Industrial production crept ahead in February. It reached 137.3 per cent of the 1967 average as compared to the January level of 136.9.

5. The survey of purchasing managers indicated that 58 per cent of them feel the first quarter of this year will be better than the final three months of 1982. Higher output was reported by 40 per cent of the managers as opposed to just 24 per cent in Jan.

6. During February, the nation's factories were operating at 68.5 per cent capacity--just a tad above the revised adjusted rate in January of 68.3 per cent. That is slow and low.

7. Steel production moved ahead in the second week of March. Still, production was at 25 per cent of capacity as compared with 50.3 per cent in the prior week. Production so far this year has been about 23 per cent lower than in the comparable period a year ago.

8. Factory shipments did rise in January, according to data released in early March. There was an adjusted gain of $3.4 billion to $156.2 billion.

9. Leading indicators gained for the fifth month in a row in January. The index was up by 3.6 per cent.

10. Housing starts were up by 2.9 per cent in February.

11. The "flash" projection based on partial first quarter data reflects a gain in GNP of 4 per cent, according to the Commerce Department. Given sectors of the economy that will continue to present problems that have been outlined here, such a rate is not sustainable for the year. It is very premature to project that rate in an optimistic frenzy as the rate likely for the whole year.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 9)

In this issue, the forecast for the inflation rate as measured by

PRICES

the CPI is moved down from 3.0 to 2.9 per cent for 1983. The outlook for the PPI is somewhat changed by being reduced to 1.9 from 2.0 per cent for this year.

The reason lies with the drop in gasoline prices which were mainly responsible for the 0.2 per cent drop in the CPI in February. That was only the second time since 1965 that there has been a decline in prices instead of the steady advance.

The KEDI forecast of other items such as clothing, entertainment, and food remains the same. There certainly is no change in the outlook for the continued rise of medical costs--still seen as jumping up by 10 per cent this year. Hospital charges charged ahead by 1.6 per cent in February, and doctors were charging 1.0 per cent more.

KEDI obviously does not agree with the Administration's new forecast of inflation being 4.5 per cent this year. Low rates of change in energy prices are one factor. High unemployment and not much zip in demand are other factors.

Mr. Ratajczak of Georgia State forecasts inflation at 4 per cent this year. That is also seen as too high.

1.22 NOMINAL GNP

(Table 1.22 on page 11)

KEDI's forecast data of nominal GNP and components has been slightly increased when compared with the March 1983 forecast due to the general upward revision of forecast data for the real GNP and components. The revised data have not affected the proportions among components of GNP: the fastest growing component remain federal purchases due mostly to more defense spending, and gross private domestic investment due mostly to the expected buildup of inventories. The unfavorable relation between exports and imports has been slightly reduced when compared with the previous forecast.

1.21 PRICES
(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Consumer price index,n.s.a.	1967=100	272.4	283.0	287.3	292.8	293.1	289.0	6.0
Producer price index,n.s.a.**	1967=100	269.8	277.7	278.3	281.8	284.6	280.6	4.0
Price deflators:								
GNP	1972=100	195.5	203.6	206.0	208.4	210.4	207.1	5.9
Personal cons. expenditures	1972=100	194.5	202.2	204.0	207.7	210.0	206.0	5.9
Gross private dom. investment	1972=100	184.3	212.3	213.3	214.8	213.4	214.5	16.3
Federal purchases	1972=100	207.4	218.3	221.6	222.9	223.5	221.7	6.9

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Consumer price index,n.s.a.	1967=100	289.0	293.7	294.9	297.9	302.2	297.2	2.8
Producer price index,n.s.a.**	1967=100	280.6	283.8	285.3	287.3	288.4	286.2	2.0
Price deflators:								
GNP	1972=100	207.1	211.8	213.4	215.6	218.3	214.8	3.7
Personal cons. expenditures	1972=100	206.0	211.2	213.0	214.3	216.3	213.7	3.7
Gross private dom. investment	1972=100	214.3	214.4	218.6	219.3	221.4	218.4	1.9
Federal purchases	1972=100	221.7	225.7	228.3	231.7	235.2	230.2	3.9

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Consumer price index,n.s.a.	1967=100	296.8	305.7	309.8	313.2	316.1	311.2	4.9
Producer price index,n.s.a.**	1967=100	286.3	292.8	295.8	299.4	306.4	298.6	4.3
Price deflators:								
GNP	1972=100	214.8	221.6	225.0	228.3	231.4	226.6	5.5
Personal cons. expenditures	1972=100	213.7	220.0	224.9	228.4	230.6	226.0	5.8
Gross private dom. investment	1972=100	218.4	225.3	227.8	231.1	235.4	229.9	5.3
Federal purchases	1972=100	230.2	238.7	242.5	245.7	248.9	244.0	6.0

*Historical data (1) % change over previous year **Finished goods

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 13)

The unemployment rate remained at 10.4 per cent in February. Officially 11.4 million Americans were out of work. The forecast here is not changed. KEDI calculates that joblessness will average close to 9.7 per cent this year and will be lower toward the end of the year than it is in the first part. It will edge down some more during 1984 but still remain above more "normal" rates of roughly 5.5 per cent. The outlook here is that the unemployment rate will be in the 8.5 per cent range as an average for 1984.

KEDI has been a bit more optimistic than the Congressional Budget Office. Last month, they cited the jobless rate as remaining above 10 per cent this year. KEDI agrees with Reagan that unemployment will go below 10 per cent this year. Here it is seen just above 9 per cent in the fourth quarter.

The forecast of the average workweek of production workers in manufacturing has been slightly increased. It will be increasing very gradually from an average of 36.1 hours per week in the first half of this year to 36.8 in the second part and 37.6 hours in 1984.

1.41 HOUSING

(Table 1.41 on page 14)

Housing starts rose by a seasonally adjusted 2.9 per cent in mild February to an annual rate of 1.756 million units. That was a gain of 93 per cent over the year-earlier figure (A depressed month, indeed.) It is of concern that single-family units started dropped by 8.5 per cent in February whereas multi family starts which make up a small portion of the total moved ahead by 25.4 per cent.

The lack of strength in single-family units is one of the reasons to be cautious about jumping to conclusions about a "boom" in housing. The National Association of Home Builders raised its forecast for 1983. Still, it is a conservative one. They now look to a total of 1.448 million starts this year.

KEDI has moved its forecast up slightly from a total for 1983 of

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Gross national product	bil.$	2937.7	2995.5	3045.2	3088.2	3108.2	3059.3	4.1
Personal cons. expenditures	bil.$	1843.2	1919.4	1947.8	1986.3	2030.8	1971.1	6.9
Gross private dom. investment	bil.$	471.5	414.4	431.5	443.3	391.5	420.2	-10.9
Net exports	bil.$	26.1	31.3	34.9	6.9	9.1	20.6	-21.9
Government purchases:								
Federal	bil.$	228.9	249.7	244.3	259.0	278.7	257.9	12.7
State and local	bil.$	368.0	380.4	386.6	392.7	398.0	389.9	5.8

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Gross national product	bil.$	3059.3	3153.2	3211.3	3278.3	3364.3	3251.8	6.3
Personal cons. expenditures	bil.$	1971.1	2049.3	2083.1	2100.0	2163.7	2099.0	6.5
Gross private dom. investment	bil.$	420.2	433.0	445.2	465.2	491.5	458.7	9.1
Net exports	bil.$	20.6	-7.4	-6.8	-1.7	-6.9	-5.7	-
Government purchases:								
Federal	bil.$	257.9	275.1	281.2	291.4	297.2	286.0	10.9
State and local	bil.$	389.9	403.2	408.6	413.4	418.8	411.0	5.5

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Gross national product	bil.$	3251.8	3444.8	3531.6	3616.9	3715.0	3577.1	10.0
Personal cons. expenditures	bil.$	2099.0	2204.6	2265.2	2327.2	2390.3	2296.9	9.4
Gross private dom. investment	bil.$	458.7	518.9	535.7	554.9	581.1	547.7	16.9
Net exports	bil.$	-5.7	-4.2	-4.8	-10.9	-14.5	-8.6	-
Government purchases:								
Federal	bil.$	286.0	302.4	307.2	310.8	318.0	309.6	8.3
State and local	bil.$	411.0	423.1	428.3	434.6	440.1	431.5	5.0

*Historical data (1) % change over previous year

HOUSING

1.5 to 1.6 million units. This Institute is in rough agreement with Mr. Strazsheim of Wharton Econometric in that it is a good sign that there have been two straight months of gain in housing. However, their forecast for 1984 of almost 2 million starts is viewed here as too high. KEDI puts that total at 1.7 million.

The average price of a new house purchased in January was a whopping $91,800. Certainly, a lot of luxury homes were sold. The average American family with income in the middle $20,000 range could hardly afford that cost.

1.42 AUTOMOBILES

(Table 1.42 on page 15)

The forecast is not changed. Data of production and sales through mid-March do not point to any great rush or change in the intentions of buyers. Sales were off 3.4 per cent in February. In early March sales of new cars were up by 2.7 per cent from the year-earlier period. My mid-March the increase was 6.6 per cent. Still, auto sales are and will remain far below "normal." Production was in the 8-8.5 million range in the decade of the seventies and in the early part of this current decade.

The annual rate of sales of domestically produced cars for January of 1983 was 5.9 million; February was 6.0; and March is projected at 6.3 million by this Institute. There will be gradual improvement throughout this year. The quarterly rates are given here.

Domestic Car Sales, 1983, by
Quarter (in millions)

I	6.1
II	6.3
III	6.7
IV	6.8

The forecast of light truck sales also remains the same.

1.50 BUDGETS

(Table 1.50 on page 17)

KEDI maintains its prediction that gargantuan deficits will not destroy the recovery. Calculations show that there will be enough

TABLE 1.30 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	%
			1 *	2 *	3*	4		(1)
Population	mil.	225.9	228.4	229.2	230.4	231.4	229.6	1.6
Civilian labor force	mil.	108.7	109.2	110.1	110.6	111.0	110.2	1.4
Employment	mil.	100.5	99.7	99.7	99.6	99.1	99.5	-.8
Agriculture	mil.	3.4	3.4	3.4	3.3	3.3	3.4	.0
Non agricult.	mil.	97.1	96.3	96.3	96.3	95.8	96.1	-1.0
Unemployment rate	%	7.62	8.81	9.42	9.97	10.67	9.72	27.6

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.2	112.3	113.4	114.5	115.4	113.9	3.4
Employment	mil.	99.5	100.7	101.9	103.8	105.0	102.8	3.3
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	96.1	97.4	98.5	100.5	101.6	99.5	3.5
Unemployment rate	%	9.72	10.31	10.17	9.67	9.34	9.87	1.5

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Population	mil.	232.5	234.5	235.2	236.0	236.9	235.7	1.4
Civilian labor force	mil.	113.9	116.3	117.2	118.3	119.4	117.8	3.4
Employment	mil.	102.8	106.4	107.4	108.6	110.2	108.1	5.1
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	99.5	103.1	104.0	105.2	106.8	104.0	5.3
Unemployment rate	%	9.87	9.08	8.94	8.61	8.21	8.71	-11.8

*Historical data (1) % change over previous year

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Single-family housing starts	mil.	.706	.586	.603	.638	.795	.656	-7.1
Multifamily housing starts	mil.	.379	.333	.355	.476	.456	.405	6.9
Mobile home shipments	mil.	.241	.238	.246	.234	.231	.238	1.2
Permits authorized	mil.	.969	.832	.924	1.114	1.223	1.023	5.6
1-family unit** price, new	tho.$	83.9	80.8	85.9	84.2	85.0	84.0	7.0
1-family unit** price, existing	tho.$	78.0	79.2	80.8	81.3	80.0	80.3	5.8

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Single-family housing starts	mil.	.656	.926	.954	.987	.906	.943	43.8
Multifamily housing starts	mil.	.405	.524	.562	.601	.598	.571	41.0
Mobile home shipments	mil.	.238	.257	.281	.292	.283	.278	16.8
Permits authorized	mil.	1.023	1.294	1.398	1.507	1.386	1.396	36.5
1-family unit** price, new	mil.	84.0	87.5	90.2	92.4	94.3	91.1	8.4
1-family unit** price, existing	tho.$	80.3	81.3	82.4	84.3	86.5	83.6	4.1

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Single-family housing starts	mil.	.943	.897	1.014	1.110	.964	.996	5.6
Multifamily housing starts	mil.	.571	.582	.637	.655	.629	.624	9.3
Mobile home shipments	mil.	.278	.259	.285	.314	.305	.291	4.7
Permits authorized	mil.	1.396	1.391	1.462	1.511	1.481	1.461	4.7
1-family unit** price, new	tho.$	91.1	96.2	97.4	98.9	101.2	98.4	8.0
1-family unit** price, existing	tho.$	83.6	87.4	89.3	91.4	92.5	90.2	7.9

*Historical data (1) % change over previous year **Not seas. adjusted

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

			1982					
Indicator	Unit	1981*	1*	2*	3 *	4	1982	% (1)
Passenger cars								
Total sales	mil.	8.6	8.3	7.5	7.8	8.7	7.9	-8.1
Domestic	mil.	6.3	6.0	5.5	5.5	6.1	5.7	-9.5
Imported	mil.	2.3	2.3	2.0	2.2	2.5	2.2	-4.4
Dealers inventories**	mil.	1.5	1.1	1.2	1.6	1.5	1.4	-6.7
Factory shipments	mil.	6.3	4.1	4.9	5.1	5.9	5.0	-1.6
Light-duty truck sales	mil.	1.7	2.2	2.1	2.0	2.1	2.1	23.5

			1983					
Indicator	Unit	1982	1	2	3	4	1983	% (1)
Passenger cars								
Total sales	mil.	7.9	8.4	8.6	8.7	9.0	8.7	10.1
Domestic	mil.	5.7	6.1	6.3	6.7	6.8	6.5	14.0
Imported	mil.	2.2	2.3	2.3	2.0	2.2	2.2	.0
Dealers inventories**	mil.	1.4	1.7	1.9	1.9	1.8	1.8	28.6
Factory shipments**	mil.	5.0	6.2	6.3	6.6	6.7	6.4	28.0
Light-duty truck sales	mil.	2.1	1.9	2.2	2.0	2.1	2.2	4.8

			1984					
Indicator	Unit	1983	1	2	3	4	1984	% (1)
Passenger cars								
Total sales	mil.	8.7	8.8	8.9	8.8	9.1	8.9	3.1
Domestic	mil.	6.5	6.8	7.0	7.1	7.2	7.0	9.2
Imported	mil.	2.2	2.0	1.9	1.7	1.9	1.9	-13.6
Dealers inventories**	mil.	1.8	1.9	2.0	1.9	1.9	1.9	5.6
Factory shipments**	mil.	6.4	6.8	7.2	6.9	7.1	7.0	9.4
Light-duty truck sales	mil.	2.2	2.1	2.3	2.4	2.2	2.3	4.5

*Historical data (1) % change over previous year **Seas. not adjusted

BUDGETS

funds in other segments of the economy to cover the needs of the Federal Government and the needs of businesses. Funds can be drawn, directly or indirectly, that are currently in personal savings at banks and other financial institutions, and there also funds in other sectors.

Figures here show that there may be a collision between the deficit and the needs of business IF the 1983 red ink amounts to $250 billion or more and the total needs of business are in the $400 billion area. KEDI forecasts the 1983 fiscal deficit at $202 billion. Funds from other sectors are seen as adequate to finance the estimated $360 billion needed for business capital outlays. Even if that total went to $400 billion, this Institute sees the outlook as still on of growth. HOWEVER, over those totals the credit would be harder to come by and that would stifle recovery.

KEDI projects the 1984 deficit at $178 billion. Again, as long as it is under $250 billion and business needs are under roughly $450 billion, financing is there without reversing the recovery. Estimates here show any potential collision between the needs of government and needs of businesses financing are years away.

There is no significant change in state and local projections.

1.60 INCOME

(Table 1.70 on page 19)

Personal income was hardly changed in February. It went up by just .1 per cent. KEDI has changed its forecast for such income to an increase of 5.9 per cent this year as opposed to 5.6 forecast in previous issues.

Corporate profits. The projection here remains essentially the same: a 10 per cent jump in profits, after taxes, this year. They are seen as gaining 16 per cent in 1984. Profits managed to hold steady during the last two quarters of 1982 despite the general declines. Unfortunately, for the year, profits recorded a 22 per cent drop. KEDI does not view them as reaching pre-recession levels until 1985.

There were two other bits of good news. Total factory wages were up

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1 *	2*	3*	4		
Federal govt.:								
Income taxes	bil.$	298.1	299.9	305.8	295.6	299.2	300.1	.7
Corporate prof. tax accruals	bil.$	67.3	45.6	45.2	49.8	48.4	47.5	-29.4
Surplus/deficit	bil.$	-60.0	-118.4	-119.6	-156.0	-203.0	-149.3	249.8
State and local governments:								
Income taxes	bil.$	88.6	93.6	95.4	98.8	100.5	97.1	9.6
Corporate prof. tax accruals	bil.$	10.1	10.1	10.2	10.2	11.2	10.4	3.0
Surplus/deficit	bil.$	31.7	27.7	32.1	32.3	36.0	32.2	1.6

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	300.1	305.6	308.9	299.4	312.8	306.7	2.2
Corporate prof. tax accruals	bil.$	47.5	50.0	54.6	57.4	60.0	55.5	16.8
Surplus/deficit	bil.$	-149.3	-197.8	-196.5	-202.2	-184.7	-195.3	-30.8
State and local governments:								
Income taxes	bil.$	97.1	101.9	103.2	105.4	107.6	104.5	7.6
Corporate prof. tax accruals	bil.$	10.4	11.3	11.7	12.1	12.4	11.9	14.4
Surplus/deficit	bil.$	32.2	36.3	37.6	38.2	39.1	37.8	17.4

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	306.7	316.7	327.8	339.5	352.7	334.2	9.0
Corporate prof. tax accruals	bil.$	55.5	64.3	68.1	71.4	74.3	69.5	25.2
Surplus/deficit	bil.$	-195.3	-180.4	-174.5	-152.3	-122.1	-157.3	19.5
State and local governments:								
Income taxes	bil.$	104.5	109.5	111.8	113.5	115.7	112.6	7.8
Corporate prof. tax accruals	bil.$	11.9	12.7	13.0	13.3	13.5	13.1	10.1
Surplus/deficit	bil.$	37.8	38.6	39.9	40.1	41.7	40.1	6.1

*Historical data (1) % change over previous year

for the second month in a row. Unemployment benefits were off in February.

1.70 MONEY AND CREDIT
(Table 1.70 on page 21)

The money supply was up $4.8 billion in early March. M1 had grown at a rate of 13.2 per cent in the 13 weeks ending then as opposed to the prior like period (seasonally adjusted annual rates). During February, M1 grew at an adjusted rate of 34 per cent. That certainly was above the Fed's targets of 4-8 per cent this year.

The increase is not of great concern as the figures are distorted by the fast movement of funds into the new high-interest checking accounts. Growth in the money supply will slow as deposits are restructured.

The forecast by KEDI for M1 is that it will expand by 6.1 per cent this year. As measured between the last quarter of the current year and the last quarter of 1982, KEDI estimates M1 will grow by 9.3 per cent. That is above the 4-8 per cent target (final quarter to final quarter) set by the Fed. Not to worry...Such growth will not rekindle inflation. We can live with it.

The forecast is not changed for consumer installment credit or commercial and industrial loans. The forecast of mortgages at savings and loan associations is revised up to a gain of 6.9 per cent this year from 6.6 due to the revision of housing starts.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Table 1.80 on page 22)

There will not be any drastic changes in interest rates this year or next year. The forecast is not changed in any significant way.

Short-term rates will keep moving down by very small margins in the second quarter and firm up in the latter half of the year. The prime rate will be in the 10-11 per cent range in the last quarter. The reader is referred to Table 1.80 on page 22.

TABLE 1.60 INCOME
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2*	3*	4		
Personal income	bil.$	2415.8	2510.5	2552.7	2592.5	2624.0	2569.9	6.4
Personal disposable income	bil.$	2029.1	2117.1	2151.5	2198.1	2224.3	2172.8	7.1
Compensation of employees	bil.$	1767.6	1819.9	1850.8	1868.3	1876.1	1853.9	4.9
Corporate after tax profits	bil.$	150.9	115.9	116.3	119.4	119.4	117.1	-22.1
Personal saving	bil.$	130.2	139.1	144.3	152.0	133.4	143.2	9.6
Average weekly earnings	$	316.8	323.4	329.8	332.9	334.1	330.1	4.2

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Personal income	bil.$	2569.9	2653.7	2699.9	2723.1	2806.6	2720.8	5.9
Personal disposable income	bil.$	2172.8	2246.2	2287.8	2318.3	2386.2	2309.6	6.3
Compensation of employees	bil.$	1853.9	1901.2	1943.3	1959.9	2014.3	1954.4	5.4
Corporate after tax profits	bil.$	117.7	122.4	127.9	133.1	138.2	130.4	10.8
Personal saving	bil.$	143.2	135.6	140.6	150.1	151.2	144.4	.8
Average weekly earnings	$	330.1	335.3	342.4	351.2	355.7	346.2	4.9

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Personal income	bil.$	2720.8	2860.1	2941.9	3024.4	3109.1	2983.9	9.7
Personal disposable income	bil.$	2309.6	2433.9	2502.3	2571.4	2640.7	2537.1	9.9
Compensation of employees	bil.$	1954.4	2031.2	2131.3	2180.4	2262.6	2151.4	10.1
Corporate after tax profits	bil.$	130.4	141.5	150.1	158.3	162.4	153.1	17.4
Personal saving	bil.$	144.4	154.7	159.0	162.5	165.8	160.5	14.8
Average weekly earnings	$	346.2	364.5	369.1	374.8	380.1	372.1	7.5

*Historical data (1) % change over previous year

INTEREST RATES, YIELDS, AND SECURITIES PRICES

KEDI agrees with Allen Sinai of Data Resources that rates will decline in the second quarter.

There are small continuous declines seen for mortgage rates, and long-term government bonds yields. Aaa and Aa rates will increase a bit in the fourth quarter. Mortgage rates will be in the 11 per cent range toward the end of the year.

It is expected here that Federal Reserve policy will continue on the course started in June 1982: gradual relaxing of monetary and credit policy. Some turn-around is anticipated in the second half of this year. As the recovery gains momentum at that time, the Fed will begin to emphasize the interest rate policy to slow down the upward movement of interest rates and yields.

The forecast of the stock market remains the same. In the second half of this years some declines are anticipated. Generally, there will be strong performances this year and in 1984.

TABLE 1.70 MONEY AND CREDIT
(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1981*	1982				1982	% (1)
			1*	2 *	3 *	4		
Currency and demand deposits, M1	bil.$	429.6	448.0	451.8	455.7	474.0	475.4	6.5
Time deposits, adjusted, M2	bil.$	1741.7	1851.1	1895.4	1941.9	1984.8	1918.2	10.1
Consumer instal. credit	bil.$	333.4	327.1	331.9	335.9	343.4	343.4	3.0
Commerc.& indus. loans at banks	bil.$	360.2	369.0	385.1	394.4	397.0	397.0	10.2
Large denomination time dep.	bil.$	295.4	307.7	322.4	338.2	338.5	326.7	10.6
Mortgages at S & L Assns.	bil.$	518.4	516.1	513.0	493.9	484.3	484.3	-6.6

Indicator	Unit	1982	1983				1983	% (1)
			1	2	3	4		
Currency and demand deposits, M1	bil.$	475.4	486.4	502.3	510.4	518.3	504.4	6.1
Time deposits, adjusted, M2	bil.$	1918.2	2031.9	2086.9	2170.6	2208.8	2124.7	10.8
Consumer instal. credit	bil.$	343.4	354.0	359.2	365.0	371.0	371.0	8.0
Commerc.& indus. loans at banks	bil.$	397.0	409.0	413.0	420.1	431.8	431.8	8.8
Large denomination time dep.	bil.$	326.7	352.4	355.3	360.3	367.5	358.9	9.9
Mortgages at S & L Assns.	bil.$	484.3	490.8	500.2	509.9	518.7	518.7	7.1

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Currency and demand deposits, M1	bil.$	504.4	524.8	532.2	545.1	556.1	537.1	6.4
Time deposits, adjusted, M2	bil.$	2124.7	2240.7	2287.6	2336.8	2411.9	2319.3	9.2
Consumer instal. credit	bil.$	371.0	380.1	388.7	398.0	403.8	403.8	8.8
Commerc.& indus. loans at banks	bil.$	431.8	434.2	447.0	458.1	469.2	469.2	8.7
Large denomination time dep.	bil $	358.9	361.5	379.8	390.1	400.1	383.8	6.9
Mortgages at S & L Assns.	bil.$	518.7	531.2	544.9	555.0	566.8	566.8	9.2

*Historical data (1) % change over previous year

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1981*	1982				1982	%
			1*	2*	3*	4		(1)
Treasury bills (3 mo) yield	%	14.03	12.81	11.97	8.10	7.91	10.20	-27.3
Prime rate	%	18.87	16.27	16.50	14.72	11.95	14.86	-21.2
Conventional mortgages rate	%	16.52	17.10	16.58	14.80	13.79	15.57	-5.3
Aaa corporate bonds rate	%	14.17	15.01	14.52	13.69	11.88	13.78	-2.8
20 years Govt. bonds yield	%	13.72	14.27	13.80	12.01	10.72	12.70	-7.4
Standard & Poor's 500 avg.	1941-43=100	128.05	114.25	114.12	113.82	136.71	119.75	-6.5

Indicator	Unit	1982	1983				1983	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	10.20	8.04	8.01	8.29	8.82	8.29	-18.3
Prime rate	%	14.86	10.71	10.24	10.14	10.27	10.34	-30.4
Conventional mortgages rate	%	15.57	13.14	12.71	12.24	11.74	12.46	-20.0
Aaa corporate bonds rate	%	13.78	11.65	11.18	11.36	11.68	11.47	-16.7
20 years Govt. bonds yield	%	12.70	11.01	11.23	11.47	11.69	11.35	-10.6
Standard & Poor's 500 avg.	1941-43=100	119.75	140.98	137.65	138.24	136.51	138.34	15.5

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	8.29	8.92	8.77	9.46	10.16	9.33	12.5
Prime rate	%	10.34	10.58	10.79	11.32	11.75	11.12	7.5
Conventional mortgages rate	%	12.46	11.63	11.34	11.44	11.97	11.60	-7.0
Aaa corporate bonds rate	%	11.47	11.62	11.54	11.26	11.35	11.44	-.3
20 years Govt. bonds yield	%	11.35	11.53	11.76	11.94	11.98	11.80	4.0
Standard & Poor's 500 avg.	1941-43=100	138.34	135.57	134.48	132.56	130.49	133.27	-3.7

*Historical data (1) % change over previous year

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, Personal Consumption Expenditures in Current $ for the year 1982 has been selected for comparison. The actual figure is in the Survey of Current Business, No.1, January 1983, p.8, (U.S. Department of Commerce, Washington, D.C., monthly). Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1982). The following table shows the predictions of forecasters and deviations of forecast data.

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Personal Consumption Expenditures, bil. $)

Actual figure: 1972.0

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
Prudential	11/30/81	2049.5	6	3.9
National Securities and Research Corporation	12/81	2045.0	6	3.7
U.S.Trust Company, New York	12/81	2042.0	8	3.5
Calvin C. Myers, The Merchants National Bank of Aurora	12/4/81	2040.0	8	3.4
Walter D. Fackler, University of Chicago	12/9/81	1975.0	10	.1
United Business Service	12/14/81	2064.0	10	4.7
Georgia State	11/81	2043.8	15	3.6
Harris Trust and Savings Bank	11/11/81	2021.5	17	2.5
UCLA	12/81	1993.4	20	1.1
Metropolitan Life Insurance Co.	12/1/81	2089.6	21	6.0
Standard & Poor's	12/10/81	2040.8	24	3.5
Manufacturers Hanover Trust	11/11/81	2023.8	25	2.6
Fidelity Bank	12/18/81	2027.7	26	2.8
KEDI	1/1/82	1961.7	28	-.5
Morgan Guaranty	1/7/82	2021.5	30	2.5

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.10 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

MAY 1983 ISSUE

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MAY 1983 ISSUE

President: Dr. Vladimir J. Simunek

This updated monthly report was prepared by the staff of the Kent Economic and Development Institute, the organization of the Kent State University Foundation, Inc. Any comments, suggestions or inquiries should be directed to:KEDI ECONOMIC SURVEY,Kent Economic and Development Institute, Kent Student Center, KSU Campus, Kent OH 44242, U.S.A. Kent State University Foundation, Inc.,and Kent Economic and Development Institute are not liable for any claim based on deviation of forecast data from actual data. This report or any of its parts cannot be reproduced without the written consent of the Kent Economic and Development Institute.

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This forecast uses the April, 1983, U.S. Department of Commerce first estimates of 1983:1 National Income and Product data. Also used is the April 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial, and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

The forecast for the increase in real GNP in 1983 is at 2.6 per cent. Recovery is slowly proceeding. REAL GROWTH The news continues to be mixed with the positive ourweighing the negative. Gains were recorded in new orders, factory use rate, durable goods ordered, retail sales, consumer confidence and productivity. First quarter GNP had a respectable gain of 3.1 per cent. There were small declines in housing starts (as has been anticipated here following a spurt), construction, and factory orders. PRICES The forecast is revised downward a bit. Inflation is seen as being 2.7 per cent this year. EMPLOYMENT The forecast remains the same. Joblessness will average 9.8 per cent this year with the last part of the year being just a bit better than the first part. It will edge down about a percentage more in 1984. The slow recovery does not have enough steam to make much of a dent in the unemployment scene. HOUSING The forecast is maintained here for starts to total 1.6 million this year. As had been anticipated, March starts were down from the February adjusted level. High unemployment and relatively high mortgage rates simply but a damper on anything but modest gains here. AUTOS The forecast is the same, with domestic auto sales being in the six million to seven million range, quarter by quarter this year. Comparisons to last year overstate the degree of improvement as it was a bad year for U.S. cars. BUDGETS The federal deficit is somewhat revised here to an estimate of $204 billion for this fiscal year. INCOME The projection here is not changed. Increases will be very moderate, but a change in the structure with wages and salaries representing an increasing share is positive. The forecast for corporate profits has been increased. MONEY AND CREDIT There are no changes here. Expansion of M1 will not push inflation up or slow recovery. INTEREST RATES Others are starting to say what has been said here for some time. The interest rate trend is down. The prime rate will stabilize around 10.8 per cent. Mortgage rates will be in the 11 per cent area.

1.02 OVERVIEW

The general forecast that has been maintained here for months is not changed. There will be slow recovery in 1983 with some acceleration in the following year. The rate of inflation forecast here is reduced to 2.7 per cent from the estimate used in April's issue of 2.9 per cent. It will go up to the 4 per cent range in 1984. The unemployment rate is still seen as averaging 9.8 per cent during the current year. It will move down to the 8.7 per cent range in 1984. Its high level will be a major factor in keeping growth on the modest side. As to interest rates: they will decline some in the second quarter, stabilize and then nudge a bit. Generally high levels will persist in 1984.

It bears repeating here that THERE IS NO DIRECT RELATIONSHIP BETWEEN INTEREST RATES AND FEDERAL DEFICITS. Deficits have and are going up, but interest rates have been declining. That is quite the opposite of the assertions of many economists. At last, the majority of them see that interest rates will be edging down. It is clear that deficits at the federal level will be very high. In order for the red ink in Washington to have an impact on interest rates, annual deficits would have to be well above $250 billion. Business capital spending would have to be in the $500 annual range. Neither is forecast here for 1983 and 1984. Adequate funds exist in other sectors of the economy for borrowing so that interest rates are not pushed back up to their distasteful levels in the high teens and above.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, assumption No.7 has been dropped.

1. In 1983, it is expected the weighted price of oil will be $27 per barrel; in 1984 it will go up to $29 per barrel; in 1985, to $30 per barrel; and in 1986, $32 per barrel.
2. It is expected that the Mid East problems will continue throughout this year and more normal economic conditions, including a significant resumption in the area of oil exports, will take place not earlier than in 1984.

ASSUMPTIONS

3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1983-1986 period. In the first half of 1983 some relaxation, and in the second half of 1983 stabilizing is expected.
4. Increases in state and local taxation in 1983-1986 are anticipated.
5. In 1983 and 1984 good harvests are assumed for this country, and average production of crops is expected in the U.S.S.R. and China in these years. U.S. record crops are expected in 1985-1986.
6. Average rates of growth in 1983-1986 in the major industrial countries are anticipated: West Germany 2.9%; Italy 2.5%; Great Britain 2.3%; France 2.4%; Japan 2.6%.
7. No drastic changes in international relationships are assumed.

The May 1983 KEDI forecast is highlighted on page 4.

1.10 REAL GROWTH

(Table 1.10 on page 5)

Developments continue to confirm the outlook for slow growth. Gains that did take place were generally of a mild nature. There were also some areas where bits of decline were recorded--construction, housing starts, and factory orders.

1. After a decline in February, new orders for durable goods were up by an adjusted 3.5 per cent in March to $80.79 billion. That is still 11% below the $87.6 billion peak reached in mid-1981.
2. Retail sales were aided by an early Easter and good weather. The March gains were best for chains concentrating on clothing. Sales were up just 0.3 per cent--the first gain since November.
3. The March change in factory use was positive. It was the fourth month of increase. Still, just 69.4 per cent of capacity was used. That is far from a more normal 85 per cent.
4. Data released on mid-April by the Commerce Department showed construction spending edged down in Fenruary to an adjusted rate

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1982	1983	1986	1987
Gross national product	bil. 1972$	1476.0	1513.6	1704.5	1779.4
Index of industrial production	1967= 100	138.6	144.9	165.9	176.7
Capacity utilization	%	69.8	71.5	79.4	83.1
Unemployment rate	%	7.9	8.7	7.6	6.9
Private housing starts	mil.	1.061	1.546	1.647	1.895
Car sales	mil.	7.9	8.7	9.7	10.9
Implicit GNP price deflator	1972= 100	207.2	216.4	246.1	257.9
Consumer price index	1967= 100	288.6	286.0	331.7	355.6
Producer price index*	1967= 100	-280.6	-286.0	331.7	355.6
Federal deficit	bil.$	-149.3	-196.8	-52.4	-63.1
Personal income	bil.$	2570.6	2719.1	3442.7	3608.5
Prime rate	%	14.86	10.46	12.78	10.04
Mortgage rate	%	15.57	12.50	13.46	12.37
Currency plus demand deposits	bil.$	475.4	504.2	614.8	659.7
Commercial and industrial loans	bil.$	394.6	426.1	597.5	624.4

* Finished goods

TABLE 1.10 REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Gross national product,1972$	bil. 1972 $	1476.0	1488.5	1504.5	1520.5	1541.0	1513.6	2.6
Index of industrial product.	1967=100	138.6	138.0	141.9	147.2	152.3	144.9	4.5
Unemployment rate	%	9.7	10.3	10.0	9.7	9.3	9.8	1.0
Capacity utilization rate	%	69.8	68.8	70.5	72.3	75.5	71.8	2.9
Private housing starts	mil. units	1.061	1.693	1.560	1.510	1.421	1.546	45.7
Car sales	mil. units	7.9	8.4	8.6	8.7	9.0	8.7	10.1

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product,1972$	bil. 1972 $	1513.6	1554.5	1569.4	1583.9	1604.8	1578.1	4.3
Index of industrial product.	1967=100	144.9	154.8	157.5	162.3	167.7	160.6	10.8
Unemployment rate	%	9.8	9.1	9.0	8.6	8.2	8.7	-11.2
Capacity utilization rate	%	71.8	76.8	77.5	79.4	79.9	78.4	9.2
Private housing starts	mil. units	1.546	1.482	1.671	1.796	1.610	1.630	5.4
Car sales	mil. units	8.7	8.8	8.9	8.8	9.2	9.0	3.4

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Gross national product,1972$	bil. 1972 $	1578.1	1619.7	1641.3	1664.7	1681.3	1651.7	4.7
Index of industrial product.	1967=100	160.6	169.4	173.2	175.6	178.1	174.1	8.4
Unemployment rate	%	8.7	8.1	7.9	7.8	7.3	7.8	-10.0
Capacity utilization rate	%	78.4	81.1	82.7	83.0	83.4	82.6	5.4
Private housing starts	mil. units	1.630	1.534	1.751	1.875	1.628	1.698	3.5
Car sales	mil. units	9.0	9.3	9.5	9.4	9.8	9.5	6.7

*Historical data (1) % change over previous year

REAL GROWTH

of $250.9 billion from the Jan. seasonally adjusted figure of $256.1. During March, construction outlays were down again by 1.6 per cent, according to F.W. Dodge. New awards were up by 10 per cent. So, late spring should show some improvement.

5. Machine tool orders are seen as bottoming out. In March, orders were up by 29 per cent from the February level, but they were still 8.9 per cent below the depressed total for March of 1982.

6. GNP increased by 3.1 per cent in the first quarter of this year. That was the best since the first part of 1981. Still, it was a bit weaker than had been expected by many forecasters and by the White House. Most of the gain was in housing, more consumer goods production, and a slowing of inventory cutting by business.

7. It was announced in late April that inventories of manufacturers were down just a bit--about one half billion to $261.64 billion. At the same time, unfilled orders gained close to a billion to reach a level of $299.01 in February.

8. Factory orders were off by 2.2 per cent in February. They had been up in the prior two months and are expected to show increases in March and April.

9. During the first quarter, productivity showed a healthy gain of 4.8 per cent. That was the best improvement since early 1981. Productivity, in general, is an area of concern. It's low level is one of the deep problems facing this nation--especially when compared with other countries like Japan.

10. Housing starts did edge back down in March as had been anticipated here in terms of annual rates. The decline was small.

11. The Consumer Confidence Index was up close to 10 points in March. That was the largest hike in the past nine years. It will translate into more buying in the next months. It does not point to a boom but to acceptable levels of gain.

The housing construction scene and the consumer demand situation add credence to the view here that the growth will be mild in nature. Housing is not seen here at KEDI as growing as fast in the next few quarters as it did in the first one. As to consumer demand, it will expand some but not very much as there is just too much unemployment and under-employment out there. Those families and individuals that number well over 15 million and likely more than 20 million can buy very little--certainly not new homes, or t.v. sets, or wardrobes, or steak dinners.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 9)

The forecast for consumer prices is reduced here due to the unexpected March decline in the CPI. Last month KEDI looked to inflation Of 2.9 per cent for the current year. Now it is seen as being closer to 2.7 per cent.

In terms of the second quarter of this year, inflation is not seen as being as high as the 5 per cent that Mr. Ratajczak recently predicted. It is agreed that the very moderate changes in the CPI will end soon, but increases will not be dramatic. Certainly, the second quarter rate will exceed the modest rate of 1.6 per cent, seasonally adjusted reached in the first quarter.

The slip in wholesale prices in March is good news even if it is small. Such prices were down by 0.1 per cent. The Producer Price Index for finished goods was at 283.4 in March. That is equal to $2,834 for goods that cost businesses $1,000 in 1967.

The CPI was up just 0.1 per cent in March even though food prices rose over one-half per cent. That gives 1983 the lowest inflation rate in almost 18 years, so far. The February to March change in major components of the CPI were as follows: gasoline down 0.1, new cars up 0.7, food up 0.6, medical care up 0.5, and clothing down 0.1 per cent.

Food prices are expected to stay relatively low in terms of increases this year. In 1984 they will start to rise at an increasing rate.

1.22 NOMINAL GNP

(Table 1.22 on page 11)

Compared with the April's forecast, the main change pertains to foreign trade. KEDI expects, now, that the 1983 performance of the U.S. foreign trade will improve a bit. The "Net Exports" item will show a small surplus as compared with previously forecasted small deficit. In 1984, a temporary deficit will appear in the third and fourth quarters. In 1985, permanent surplus will take place.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 13)

The forecast is not changed. The outlook is hardly bright, but very gradual declines are foreseen. The average rate this year is calculated at 9.8 per cent. Next year it is estimated by KEDI to be close to 8.7 per cent. That is a tad better but a long way from more "normal" acceptable levels in the 5 per cent range.

The average unemployment rate for this year and the next four years is presented here by this Institute:

1983	9.8%
1984	8.7%
1985	7.8%
1986	7.7%
1987	7.4%

For 1983, high unemployment will persist in important industries, namely: nonferrous and ferrous metal mining, steel, machinery, machine tools, plastics, cement, automobiles, and chemicals. In 1984, the main improvements will be in mining, nonelectrical machinery, rubber, autos, and chemicals. It will not be until 1985 that machine tools and plastics will show more substantial recovery.

The view that has been expressed here for many months is NOW shared by Evans Economics, Inc., for instance. In late April, Van Jolissaint of that firm referred to the weak but steady

1.21 PRICES
(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Consumer price index,n.s.a.	1967=100	288.6	292.5	294.4	297.1	299.8	296.0	2.6
Producer price index,n.s.a.**	1967=100	280.6	283.4	285.1	287.2	288.3	286.0	1.9
Price deflators:								
GNP	1972=100	207.2	213.4	215.4	217.2	219.6	216.4	4.4
Personal cons. expenditures	1972=100	206.0	211.2	214.3	215.1	217.8	214.6	4.2
Gross private dom. investment	1972=100	214.3	215.8	219.2	221.7	224.2	220.2	2.8
Federal purchases	1972=100	221.7	231.4	233.9	235.8	238.4	234.9	6.0

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Consumer price index,n.s.a.	1967=100	296.0	303.8	307.2	309.8	312.3	308.3	4.2
Producer price index,n.s.a.**	1967=100	286.0	293.0	296.1	299.8	306.7	298.9	4.5
Price deflators:								
GNP	1972=100	216.4	222.5	227.1	229.2	232.1	227.8	5.3
Personal cons. expenditures	1972=100	214.6	221.3	225.2	227.6	230.5	226.2	5.4
Gross private dom. investment	1972=100	220.2	226.9	229.4	234.6	237.5	232.4	5.5
Federal purchases	1972=100	234.9	241.2	245.8	249.6	253.1	247.4	5.3

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Consumer price index,n.s.a.	1967=100	308.3	316.1	319.6	324.6	328.4	322.2	4.5
Producer price index,n.s.a.**	1967=100	298.9	311.4	316.3	319.8	324.5	318.0	6.3
Price deflators:								
GNP	1972=100	227.8	234.3	236.7	238.1	241.3	237.6	4.3
Personal cons. expenditures	1972=100	226.2	232.7	234.6	237.0	239.5	236.0	4.3
Gross private dom. investment	1972=100	232.4	240.3	244.7	246.9	248.3	245.1	5.6
Federal purchases	1972=100	247.4	256.0	259.2	263.8	266.4	261.4	5.7

*Historical data (1) % change over previous year **Finished goods

expansion and pointed out that it is not enough to generate added jobs to alter the unemployment rate very much. (Akron Beacon Journal, April 21, 1983, page A9). KEDI also shares the view of Richard Rahn that growth in the 3 per cent range is not enough to add jobs for those first-time entrants in the labor force. (This May and June will see thousands of high school and college graduates facing many months of joblessness and continued reliance on mom and dad as they scramble for work or scale down their aspirations to just any job no matter how low the pay.)

1.41 HOUSING

(Table 1.41 on page 14)

The forecast is maintained here that housing starts will total 1.5 million in 1983 and 1.6 million in 1984. That is a progress but still below more normal levels.

Developments in MARCH confirm the trends seen here. March housing starts declined from the 1.8 million adjusted annual average for January and February. The adjusted March rate was at 1.61 million. KEDI agrees with Michael Sumichrast of the National Association of Home Builders that the February rate could not be sustained.

There are two basic reasons why rates will stay in the current range.

1. Mortgage rates will only edge down slightly from current levels. It is estimated here that they will stabilize in the 11-12 range this year and next year. For starts to reach a higher level of, say, 1.8-2.0 million, mortgage rates would need to go down to 9-10 per cent.
2. The high unemployment for this year and next simply means less on the market.

Also confirming the forecast here is the increase in home resales. In March, such resales of single-family houses rose by 9.8 per cent to an annual rate of 2.7 million.

However, it is not such good news that March resale prices were up 3.4 per cent over the prior year. Prices reached a median of

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Gross national product	bil.$	3057.6	3176.7	3240.8	3303.3	3384.2	3276.2	7.[illegible]
Personal cons. expenditures	bil.$	1971.3	2054.0	2099.2	2146.1	2189.3	2122.2	7.[illegible]
Gross private dom. investment	bil.$	420.5	430.6	442.4	452.1	477.3	449.6	6.[illegible]
Net exports	bil.$	18.5	16.6	15.3	5.[illegible]	4.3	10.4	-43.[illegible]
Government purchases:								
Federal	bil.$	257.7	271.9	275.3	286.7	294.3	282.1	[illegible]
State and local	bil.$	389.6	403.6	408.7	413.9	419.0	411.3	5.[illegible]

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product	bil.$	3276.2	3459.4	3564.4	3630.8	3725.4	3595.0	9.[illegible]
Personal cons. expenditures	bil.$	2122.2	2218.2	2288.3	2338.0	2408.1	2313.2	[illegible]
Gross private dom. investment	bil.$	449.6	514.8	535.2	548.7	567.4	545.5	[illegible]
Net exports	bil.$	10.4	2.1	5.6	-1.4	-11.3	-5.0	-
Government purchases:								
Federal	bil.$	282.1	300.2	306.1	310.4	317.5	308.6	[illegible]
State and local	bil.$	411.3	423.8	429.2	435.1	443.7	432.8	[illegible]

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Gross national product	bil.$	3595.0	3795.1	3885.3	3964.2	4057.3	3925.5	[illegible]
Personal cons. expenditures	bil.$	2313.2	2442.8	2509.2	2572.2	2652.9	2544.3	1[illegible]
Gross private dom. investment	bil.$	545.5	577.3	582.3	587.2	592.4	584.5	[illegible]
Net exports	bil.$	-5.0	3.5	12.8	14.3	11.6	10.[illegible]	-
Government purchases:								
Federal	bil.$	308.6	324.3	329.7	334.3	338.1	331.[illegible]	[illegible]
State and local	bil.$	432.8	447.2	451.3	456.2	462.3	454.[illegible]	[illegible]

*Historical data. (1) % change over previous year

$69,300. It is bad news that the average price of NEW house set a record of $89,900 in February. At that time, sales of new houses went down by 5.9 per cent after gaining for four months.

1.42 AUTOMOBILES

(Table 1.42 on page 15)

The KEDI forecast is not revised. Despite some optimistic announcements from Detroit and some temporary good news, the state of the economy and the high unemployment rate in particular do not warrant any joy. Gains will be mild.

The president of General Motors expressed confidence in a very good year because workers were being called back, interest rates have gone down, and consumers are carrying less debt. It is a matter of degree. KEDI views these facts as helping the auto industry, BUT 1983 will hardly be a banner year for cars.

March auto sales were about the same as a year ago. April sales have been up. In early April, there was a 32.4 per cent jump over the year-earlier total. In late April, domestic automakers planned to produce about 20 per cent more cars than they did in late April of 1982.

The first quarter of this year recorded sales just 3.7 per cent improved from the first quarter of last year. Most experts look to a car market-both domestic and foreign-of around 9 million autos. KEDI is a bit less optimistic. People are keeping their cars longer and are buying used cars more than has been true in the past as many cannot afford the average cost of roughly $9,000 for a new car.

Automakers plans for the second quarter have increased to a total of 1.8 million units. That is better but not by much. KEDI stands by its forecast of quarterly domestic auto sales averaging in the low six million range in the first part of the year and being closer to seven million in the last quarter. That is still a few million below more normal rates of a few years ago.

TABLE 1.30 EMPLOYMENT AND LABOR
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.2	112.3	113.4	114.9	115.8	114.1	3.5
Employment	mil.	99.5	100.7	102.0	103.8	105.0	102.9	3.4
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	96.1	97.4	98.6	100.5	101.6	99.5	3.5
Unemployment rate	%	9.72	10.34	10.02	9.66	9.32	9.84	1.2

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Population	mil.	232.5	234.5	235.2	236.0	236.9	235.7	1.4
Civilian labor force	mil.	114.1	117.0	117.9	118.8	120.1	118.5	3.9
Employment	mil.	102.9	106.4	107.3	108.5	110.2	108.1	5.1
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	99.5	103.1	103.9	105.1	106.8	104.7	5.2
Unemployment rate	%	9.84	9.09	8.95	8.64	8.21	8.72	-11.4

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Population	mil.	235.7	237.5	238.1	239.0	240.1	238.7	1.3
Civilian labor force	mil.	118.5	121.0	121.1	123.2	124.5	122.7	3.5
Employment	mil.	108.1	111.2	112.4	113.6	115.4	113.1	4.6
Agriculture	mil.	3.4	3.3	3.3	3.3	3.3	3.3	3.3
Non agricult.	mil.	104.7	107.9	109.1	110.3	112.1	109.7	4.8
Unemployment rate	%	8.72	8.11	7.93	7.81	7.34	7.80	-10.6

*Historical data (1) % change over previous year

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	% (1)
			1	2	3	4		
Single-family housing starts	mil.	.656	1.693	.950	.908	.837	.940	43.2
Multifamily housing starts	mil.	.405	.628	.610	.602	.584	.606	19.6
Mobile home shipments	mil.	.238	.254	.279	.290	.281	.276	16.0
Permits authorized	mil.	1.023	1.292	1.376	1.483	1.324	1.369	33.8
1-family unit** price, new	tho.$	84.0	88.4	92.5	94.8	97.3	93.2	11.0
1-family unit** price,existing	tho.$	80.3	82.1	84.3	87.1	89.4	85.7	6.7

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Single-family housing starts	mil.	.943	.899	1.032	1.138	.979	1.012	7.3
Multifamily housing starts	mil.	.606	.583	.639	.658	.631	.628	8.6
Mobile home shipments	mil.	.276	.250	.281	.309	.289	.282	1.4
Permits authorized	mil.	1.369	1.385	1.447	1.503	1.472	1.452	4.0
1-family unit** price, new	mil.	93.2	98.9	101.3	104.7	105.8	102.7	12.7
1-family unit** price,existing	tho.$	85.7	91.2	92.3	94.2	95.7	93.4	11.7

Indicator	Unit	1984	1985				1985	% (1)
			1	2	3	4		
Single-family housing starts	mil.	1.012	.914	1.084	1.198	.986	1.046	3.4
Multifamily housing starts	mil.	.628	.620	.667	.677	.642	.652	3.8
Mobile home shipments	mil.	.282	.274	.285	.293	.297	.287	1.8
Permits authorized	mil.	1.452	1.286	1.563	1.587	1.465	1.475	1.6
1-family unit** price, new	tho.$	102.7	106.2	108.1	109.2	110.4	108.5	5.6
1-family unit** price,existing	tho.$	93.4	96.1	97.2	98.1	98.9	97.6	4.5

*Historical data (1) % change over previous year **Not seas. adjusted

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Passenger cars								
Total sales	mil.	7.9	8.4	8.6	8.7	9.0	8.7	10.1
Domestic	mil.	5.7	6.1	6.3	6.7	6.8	6.5	14.0
Imported	mil.	2.2	2.3	2.3	2.0	2.2	2.2	.0
Dealers inventories**	mil.	1.4	1.7	1.9	1.9	1.8	1.8	28.6
Factory shipments	mil.	5.0	6.2	6.3	6.6	6.7	6.4	28.0
Light-duty truck sales	mil.	2.1	1.9	2.2	2.0	2.1	2.2	4.8

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Passenger cars								
Total sales	mil.	8.7	8.8	8.9	8.8	9.1	8.9	3.1
Domestic	mil.	6.5	6.8	7.0	7.1	7.2	7.0	9.2
Imported	mil.	2.2	2.0	1.9	1.7	1.9	1.9	-13.6
Dealers inventories**	mil.	1.8	1.9	2.0	1.9	1.9	1.9	5.6
Factory shipments**	mil.	6.4	6.8	7.2	6.9	7.1	7.0	9.4
Light-duty truck sales	mil.	2.2	2.1	2.3	2.4	2.2	2.3	4.5

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Passenger cars								
Total sales	mil.	8.9	9.3	9.5	9.4	9.8	9.5	6.7
Domestic	mil.	7.0	7.3	7.5	7.5	7.7	7.5	7.1
Imported	mil.	1.9	2.0	2.0	1.9	2.1	2.0	5.3
Dealers inventories**	mil.	1.9	2.0	2.2	2.2	2.5	2.2	15.8
Factory shipments**	mil.	7.0	7.2	7.6	7.7	7.5	7.5	7.1
Light-duty truck sales	mil.	2.3	2.3	2.4	2.5	2.3	2.4	2.3

*Historical data (1) % change over previous year **Seas. not adjusted

1.50 BUDGETS

(Table 1.50 on page 17)

The projection of the federal deficit for this fiscal year, 1983, has been slightly increased from $202 billion to $204 billion. KEDI does not see the red ink as flowing quite as fast as the Administration. In late April, they predicted it would be a bit above $210 billion.

The position is maintained here that large deficits will not endanger the slow recovery that is under way. Unless deficits were well over $250 billion and the total needs of private capital outlays over $500 billion (both are not foreseen here), other sectors of the economy are seen as adequate to provide financing.

This Institute does not agree with Mr. Weidenbaum, former chief economic adviser, that the present deficit deprives business of private resources. The forecast that has been maintained here for some time is the same. Capital formation will not be slowed by deficits currently projected. Pressure on interest rates will be in the reasonable range. There is no direct relationship between interest rates and deficits. The former has been going down and the latter up!

As to state budgets, so far 15 have passed new taxes since January to help close the budget gaps that 23 states have. New or higher taxes on income, business, gasoline, cigarettes, and liquor are the trend.

1.60 INCOME

(Table 1.60 on page 19)

The forecast here is not changed. There will be very moderate gains in personal income during the rest of this year and next year. Personal disposable income will be trimmed by hikes in state and local taxes.

The projection shows constant improvements in the structure of personal income and personal disposable income. Namely, the share

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS

(Quarterly data are seasonally adjusted at annual rates).

Indicator	Unit	1982*	1983 1	 2	 3	 4	1983	% (1)
Federal govt.:								
Income taxes	bil.$	300.1	298.2	305.4	295.1	308.7	201.9	.6
Corporate prof. tax accruals	bil.$	47.5	49.8	54.2	57.0	58.4	54.9	15.6
Surplus/deficit	bil.$	-149.3	-199.4	-198.7	-204.6	-184.5	-196.8	-31.8
State and local governments:								
Income taxes	bil.$	97.1	103.2	103.9	106.0	108.2	105.0	8.1
Corporate prof. tax accruals	bil.$	10.4	11.3	11.7	12.1	12.4	11.9	14.4
Surplus/deficit	bil.$	32.2	36.3	37.6	38.2	39.1	37.8	17.4

Indicator	Unit	1983	1984 1	 2	 3	 4	1984	% (1)
Federal govt.:								
Income taxes	bil.$	201.9	310.5	322.4	328.9	337.6	321.1	6.5
Corporate prof. tax accruals	bil.$	54.9	64.0	67.9	70.1	73.7	68.8	25.3
Surplus/deficit	bil.$	-196.8	-182.3	-176.1	-154.4	-123.2	-159.0	-19.8
State and local governments:								
Income taxes	bil.$	105.0	110.1	112.8	114.4	116.3	113.4	8.0
Corporate prof. tax accruals	bil.$	11.9	12.7	13.0	13.3	13.5	13.1	10.1
Surplus/deficit	bil.$	37.8	38.6	39.9	40.1	41.7	40.1	6.1

Indicator	Unit	1984	1985 1	 2	 3	 4	1985	% (1)
Federal govt.:								
Income taxes	bil.$	321.1	340.3	345.8	351.2	356.8	348.5	8.4
Corporate prof. tax accruals	bil.$	68.8	74.8	77.2	79.9	84.3	79.1	15.0
Surplus/deficit	bil.$	-159.0	-107.8	-94.3	-81.1	-62.7	-86.5	-45.6
State and local governments:								
Income taxes	bil.$	113.4	118.9	120.7	123.5	127.8	122.7	8.2
Corporate prof. tax accruals	bil.$	13.1	13.9	14.3	14.9	15.6	14.7	12.2
Surplus/deficit	bil.$	40.1	42.3	43.1	44.2	45.3	43.7	9.0

*Historical data (1) % change over previous year

INCOME

of wages and salaries will keep increasing.

KEDI agrees with Mr. Ortner that the March gains in wages and salaries were a good sign that could lead to more spending by consumers and, hence, to more growth in the economy. Gross weekly earnings in March were up by $4.05 to $274.57.

Personal income edged ahead by 0.6 per cent in March and consumer spending inched up by 0.4 per cent. Personal income was at a seasonally adjusted rate of $2.659 trillion that month.

The forecast for corporate profits is slightly increased. In 1983, after tax profits are seen as being up 11.0 per cent from the year-earlier total.

The best earnings gains will be in fabricated metal products, autos, forest products, home building, construction, and finance and loan. Moderate increases will take place in the rubber, home products, paper, railroad, auto equipment, and telephone utilities area. There will be very small changes--some barely up and some inching down--in insurance, food, electrical machinery, gas utilities, tobacco, oil, steel, mining, and recreational vehicles.

1.70 MONEY AND CREDIT

(Table 1.70 on page 21)

The projection for M1 and M2 is maintained here. The first will expand by 6 per cent this year and the latter will grow 10.7 per cent. For 1984, the figures are 6.4 and 9.3, respectively.

Milton Friedman has indicated that a reduction in monetary growth to within the targets for M1 of 4-8 per cent would still very likely mean a slowing of recovery and an inflation push. (Newsweek, May 2, 1983, page 72.) KEDI DOES NOT AGREE.

Forecast data here show money supply growth of 6 per cent for this year and 6 4 per cent for 1984 will not rekindle inflation. The Consumer Price Index forecast shows an increase of about 3 per cent for this year and about 4 per cent in 1984. Apparently,

TABLE 1.60 INCOME

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Personal income	bil.$	2570.6	2648.3	2699.3	2722.7	2806.0	2719.1	5.8
Personal disposable income	bil.$	2173.4	2247.0	2290.0	2321.6	2389.1	2311.9	6.4
Compensation of employees	bil.$	1856.4	1908.5	1946.5	1964.3	2018.2	1959.4	5.5
Corporate after tax profits	bil.$	116.1	122.3	128.6	134.1	138.4	130.9	12.7
Personal saving	bil.$	142.7	131.9	128.1	156.8	136.5	138.3	3.1
Average weekly earnings	$	330.1	335.2	342.3	351.3	355.7	346.2	4.9

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Personal income	bil.$	2719.1	2861.9	2943.5	3027.8	3114.3	2986.9	9.8
Personal disposable income	bil.$	2311.9	2441.3	2508.3	2584.5	2650.4	2546.1	10.4
Compensation of employees	bil.$	1959.4	2036.5	2139.8	2189.7	2269.5	2158.9	10.2
Corporate after tax profits	bil.$	130.9	141.3	148.5	156.2	158.1	151.0	15.4
Personal saving	bil.$	138.3	135.6	151.7	162.7	158.2	152.1	10.0
Average weekly earnings	$	346.2	364.6	369.2	374.9	380.3	372.2	7.5

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Personal income	bil.$	2986.9	3116.5	3223.8	3246.5	3447.4	3258.6	9.1
Personal disposable income	bil.$	2546.1	2667.3	2747.3	2871.8	2972.8	2814.8	10.5
Compensation of employees	bil.$	2158.9	2295.4	2346.2	2448.9	2544.7	2408.8	11.6
Corporate after tax profits	bil.$	151.0	161.3	165.7	169.4	176.9	168.3	11.5
Personal saving	bil.$	152.1	165.9	163.8	159.1	175.6	166.1	9.2
Average weekly earnings	$	372.2	386.2	391.3	397.5	401.8	394.2	5.9

*Historical data (1) % change over previous year

by Friedman's argument, we will be very lucky, indeed!

There are no significant changes in the forecast of consumer installment credit, business loans, and mortgages.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

(Table 1.80 on page 22)

There is growing consensus among economists confirming the forecast that has been maintained here for months: Interest rates will edge down slightly in the coming months.

For the short run, KEDI agrees with Volcker, the outlook for interest rates is down. KEDI does not agree with the view that they will continue to fall. The average of the Blue-chip indicators points to declining rates for all of this year and through the first part of 1984. That is disputed here.

Long-term rates are seen as moving down a bit for some months and firming up toward the end of the year. They will stabilize in 1984. KEDI does not see such rates as moving back up to any significant degree in the latter part of next year.

The prime rate is seen as stabilizing around 10.6 per cent in 1983 and above 11 per cent in 1984. The conventional mortgage rate will be in the 11.7 per cent range around the end of this year and will creep up some in 1984. The Federal Reserve will use both tools--interest rates and monetary aggregates to regulate conditions with an emphasis on the interest rates during the second part of this year.

The forecast of the stock market has been slightly increased for the rest of 1983 and for 1984.

TABLE 1.70 MONEY AND CREDIT

(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Currency and demand deposits,M1	bil.$	475.4	486.4	502.1	510.2	518.0	504.2	6.1
Time deposits, adjusted,M2	bil.$	1918.2	2031.0	2086.1	2169.4	2207.1	2123.4	10.7
Consumer instal. credit	bil.$	343.4	353.8	359.0	364.6	370.1	370.1	7.8
Commerc.& indus. loans at banks	bil.$	394.6	405.8	410.3	417.5	426.1	426.1	8.0
Large denomination time dep.	bil.$	326.6	323.8	328.9	337.2	345.8	333.9	2.2
Mortgages at S & L Assns.	bil.$	484.3	490.6	500.5	510.2	519.4	519.4	7.2

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Currency and demand deposits,M1	bil.$	504.2	524.7	532.1	545.1	556.1	539.5	7.0
Time deposits, adjusted, M2	bil.$	2123.4	2239.8	2286.5	2336.1	2410.4	2318.2	9.2
Consumer instal. credit	bil.$	370.1	378.6	387.2	397.0	401.7	401.7	8.5
Commerc.& indus. loans at banks	bil.$	426.1	430.5	444.3	455.2	464.0	464.0	8.9
Large denomination time dep.	bil.$	333.9	353.7	360.2	368.7	382.1	366.2	9.6
Mortgages at S & L Assns.	bil.$	519.4	531.6	545.2	556.0	566.9	566.9	9.1

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Currency and demand deposits,M1	bil.$	539.5	564.4	575.3	583.6	594.7	579.5	7.4
Time deposits, adjusted,M2	bil.$	2318.2	2490.5	2568.4	2654.5	2746.3	2614.9	12.7
Consumer instal. credit	bil.$	401.7	410.5	419.3	427.3	439.2	439.2	9.3
Commerc.& indus. loans at banks	bil.$	464.0	470.2	479.6	487.5	496.3	496.3	7.0
Large denomination time dep.	bil $	366.2	392.4	399.5	412.7	424.7	407.3	11.2
Mortgages at S & L Assns.	bil.$	566.9	574.3	582.7	589.3	599.2	599.2	5.7

*Historical data (1) % change over previous year

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	10.20	8.07	8.06	8.32	8.72	8.31	-18.5
Prime rate	%	14.86	10.82	10.39	10.26	10.37	10.46	-29.6
Conventional mortgages rate	%	15.57	13.11	12.70	12.34	11.85	12.50	-19.7
Aaa corporate bonds rate	%	13.78	11.81	11.36	11.52	11.71	11.60	-15.8
20 years Govt. bonds yield	%	12.70	10.89	10.96	11.24	11.46	11.14	-12.3
Standard & Poor's 500 avg.	1941-43=100	119.75	145.26	142.47	140.15	138.24	141.53	18.2

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	8.31	8.92	8.81	9.43	10.05	9.30	11.9
Prime rate	%	10.46	10.67	10.81	11.30	11.69	11.12	6.3
Conventional mortgages rate	%	12.50	11.63	11.52	11.40	11.89	11.61	-7.1
Aaa corporate bonds rate	%	11.60	11.79	11.75	11.81	11.73	11.77	1.5
20 years Govt. bonds yield	%	11.14	11.50	11.72	11.91	11.98	11.78	5.7
Standard & Poor's 500 avg.	1941-43=100	141.53	139.47	142.31	137.14	135.26	138.55	-2.9

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	9.30	9.84	10.06	10.67	11.12	10.42	12.0
Prime rate	%	11.12	11.30	11.47	11.63	11.89	11.57	4.0
Conventional mortgages rate	%	11.61	12.04	12.15	12.43	12.51	12.28	5.8
Aaa corporate bonds rate	%	11.77	11.54	11.62	11.94	12.37	11.87	.8
20 years Govt. bonds yield	%	11.78	12.16	12.37	12.51	12.63	12.41	5.3
Standard & Poor's 500 avg.	1941-43=100	138.55	133.42	136.87	132.43	130.27	133.25	-3.8

*Historical data (1) % change over previous year

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, Personal Consumption Expenditures on Durables in Current $ for the year 1982 has been selected for comparison. The actual figure is in the Survey of Current Business, No.2, February 1983, p.8, (U.S. Department of Commerce, Washington, D.C., monthly). Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Virginia, February 1982). The following table shows the predictions of forecasters and deviations of forecast data.

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Personal Consumption Expenditures on Durables, bil. $)

Actual figure: 242.5

	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
Georgia State	11/81	250.0	15	3.1
Harris Trust and Savings Bank	11/11/81	254.8	17	5.1
Metropolitan Life Insurance Co.	12/1/81	260.5	21	7.4
Standard & Poor's Corporation	12/10/81	255.0	24	5.2
Fidelity Bank	12/18/81	254.2	26	4.8
KEDI	1/1/82	245.9	28	1.4
Morgan Guaranty Trust Company	1/7/82	245.7	30	1.3

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.10 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36

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President: Dr. Vladimir J. Simunek

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This forecast uses the May, 1983, U.S. Department of Commerce second revised estimates of 1983:1 National Income and Product data. Also used is the May 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial, and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

Fairly steady, slow growth is still anticipated with acceleration above 4.5 per cent in 1985. Housing and autos are not going to be the giants they once were. That change relating to the structure of the economy is a fundamental reason why growth will not be exceptional. REAL GROWTH The forecast is now for real GNP to expand by 2.5 per cent (yearly annual average). The news is generally good with the factory use rate moving up along with retail sales and foreign trade. Problems continue for steel, new construction, and machine tools. PRICES The forecast is moved up to 3.0 per cent for the change in CPI this year. (Still a rate to be grateful for compared to a few years ago.) Producer prices again edged down a wee bit in April. In May and the following months increases are anticipated. EMPLOYMENT The jobless rate is still seen as averaging about 9.8 per cent this year. HOUSING Despite some recent developments, the forecast is still for starts to be close to 1.5 million this year. The cost of the average home, over $69,000, even though lower than last year, is still out of reach for many ordinary working Americans. AUTOS There is a slight upward move in the projection here with sales predicted by KEDI of 8.8 million. BUDGETS The deficit forecast is lowered for this year by about 5 per cent. It is increased about $4 billion for each of the next two calendar years. INCOME The outlook is the same. Corporate profits will be roughly 6.9 per cent higher this year. MONEY AND CREDIT Signs of the end of easy money are popping up. INTEREST RATES Declines are ending. Some increases are expected for the rest of this year.

1.02 OVERVIEW

The view from here remains cautiously optimistic. The slow recovery is seen as picking up a bit in 1984 and 1985 and pausing the following year. The percentage gain in real GNP over each prior year is presented:

1983	2.5	minor growth
1984	4.5	acceleration
1985	4.7	faster
1986	4.3	slowing
1987	4.6	growth

The basic reason for the hesitancy in the recovery this year and in future years is in our so-called basic industries. Autos and housing are not the pillars of the economy that there were in prior decades. A growing sector of the economy is the service sector.

There will not be averages of two or more million starts in housing. There will not be years where 12 million cars are the norm. There will not be years of shipments of around 100 million tons of steel that was more the norm in the late 1960's and 1970's. That has been stated here repeatedly over many months in KEDI.

Allen Sinai, of Data Resources recently expressed a similar forecast. He referred to the unemployment rate edging down just a percentage point a year. The economist, Frederick Deming of Chemical Bank pointed out that there won't be full recovery for housing and cars for years to come. (Newsweek, May 16, 1983, page 69.) KEDI strongly concurs.

The forecast of Townsend-Greenspan that came out in May is seen here as basically corresponding with that of this Institute in terms of changes foreseen (in percentage terms in real GNP this year). KEDI is more optimistic about 1984 except for housing.

Housing starts are seen as improving a bit more in 1983 here, but there is a large gap when the forecast for 1984 is compared, with KEDI being much more pessimistic. The Townsend-Greenspan percentage gain for that year would translate into roughly more than two million units. KEDI does not see that possible.

As can be seen, the two are in rough agreement as to the drift

OVERVIEW

of the CPI whereas KEDI sees personal income as inching ahead just a bit more (in real terms.)

Percentage change in year-to-year indicators

(T-G = Townsend-Greenspan)

	1983		1984	
	KEDI	T-G	KEDI	T-G
Real GNP	2.5	2.5	4.5	4.1
Housing starts	45.7	40.8	5.4	20.9
CPI	3.0	3.1	4.6	4.7
Personal income	2.7	2.1	3.9	3.6

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, the No.3 is updated.

1. In 1983, it is expected the weighted price of oil will be $27 per barrel; in 1984 it will go up to $29 per barrel; in 1985, to $30 per barrel; and in 1986, $32 per barrel.

2. It is expected that the Mid East problems will continue throughout this year and more normal economic conditions, including a significant resumption in the area of oil exports, will take place not earlier than in 1984.

3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1983-1986 period. In the second half of 1983 some increases, and in 1984-1985 stabilizing are expected.

4. Increases in state and local taxation in 1983-1986 are anticipated.

5. In 1983 and 1984 good harvests are assumed for this country, and average production of crops is expected in the U.S.S.R. and China in these years. U.S. record crops are expected in 1985-1986.

6. Average rates of growth in 1983-1986 in the major industrial

countries are anticipated: West Germany 2.9%; Italy 2.5%; Great Britain 2.3%; France 2.4%; Japan 2.6%.

7. No drastic changes in international relationships are assumed.

The June 1983 KEDI forecast is highlighted on page 5.

1.10 REAL GROWTH

(Table 1.10 on page 7)

The forecast for growth is only slightly altered in this issue. There is a reduction in the projection of the annual average change in real GNP to 2.5 from 2.6 per cent. This, and the like change in the previous month is mainly due to the downward revision of the U.S. Department of Commerce estimate of GNP for the first quarter of this year.

In general, mild good news has been prevailing. However, there are still trouble spots in some industries.

1. The factory use rate moved ahead to 71.1 per cent of capacity in April. That brought it to the highest level in more than a year.

2. Retail sales gained 1.6 per cent in April. That followed a move ahead of 1.7 per cent in March. Sales in April were a seasonally adjusted $94.22 billion. For the first quarter of this year three retailers, K-Mart, May Co, and Allied Stores, showed healthy gains in profits.

3. The Index of Industrial Production rose from 129.7 in March to 142.6 in April, seasonally adjusted.

4. The trade deficit showed a decline. A rare gain in U.S. exports helped cut the merchandise trade deficit for the first quarter by nearly one-third. A large decline in oil imports helped. The foreign trade deficit narrowed to $8.4 billion.

5. Purchasing managers surveyed reported that employment improved

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1982	1983	1986	1987
Gross national product	bil. 1972$	1476.1	1513.3	1726.6	1806.0
Index of industrial production	1967= 100	138.6	145.2	183.3	192.6
Capacity utilization	%	69.8	71.9	81.5	83.7
Unemployment rate	%	9.7	9.8	7.3	6.9
Private housing starts	mil.	1.061	1.495	1.624	1.714
Car sales	mil.	8.0	8.8	5.5	5.6
Implicit GNP price deflator	1972= 100	207.1	216.8	253.7	268.0
Consumer price index	1967= 100	288.6	297.2	341.4	360.9
Producer price index*	1967= 100	280.6	286.2	333.9	351.3
Federal deficit	bil.$	-149.3	-185.7	-98.7	-84.7
Personal income	bil.$	2569.9	2726.7	3486.3	3796.6
Prime rate	%	14.86	10.60	12.03	11.84
Mortgage rate	%	15.57	12.44	13.67	12.79
Currency plus demand deposits	bil.$	475.4	506.2	622.5	665.4
Commercial and industrial loans	bil.$	394.6	425.1	525.9	559.0

* Finished goods

In the May 1, 1983 issue, by typing error, incorrect data for the 1986 and 1987 Index of Industrial Production are presented. Correct data are: 1986--179.8; 1987--191.6. In this issue the IIP data for 1986 and 1987 have been revised upwards. KEDI regrets the inconvenience.

for 18 per cent of those polled, whereas 17 per cent had fewer workers. The number of members reporting fewer new orders was the lowest in four years.

Problems still exist as can be seen in the following developments.

6. Raw steel shipments were down to 5.5 million tons in April from the 6.0 million tons level in March. Steel shipments were down to 1.697 million tons in the week ended on May 21. In the last week in May, it edged down again to 1.627 million tons. Production amounted to a paltry 56.3 per cent of capacity that week.

7. New construction contracts declined 2 per cent in April from the March level. Still, the first four months of this year were an improvement over the same period in 1982. The gain was 14 per cent for those months.

8. Machine tool orders were off by 5 per cent in April from the March level. Shipments were down by 14 per cent. For the first four months of this year, orders were 34 per cent lower than in the same period of 1982. It should be noted that 1982 was the worst year for machine tools since the mid-1940's. The worst is seen as over. Declines are bottoming out here.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 9)

The projection of the change in the CPI for this year is revised upward in this issue. That is mainly due to the April rise attributed to the retail price increases of such things as food. Last month, the forecast was at 2.7 per cent. Now, the CPI is projected as gaining 3.0 per cent for 1983 over 1982.

During April, inflation was up an adjusted 0.6 per cent. It is not seen here as gaining at that rate--or anywhere near it--

TABLE 1.10 REAL GROWTH

(Quarterly data are seasonally
adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Gross national product,1972$	bil. 1972 $	1476.1	1486.5	1504.6	1520.7	1541.4	1513.3	2.5
Index of industrial product.	1967= 100	138.6	138.0	142.3	147.5	152.9	145.2	4.8
Unemployment rate	%	9.7	10.4	10.0	9.6	9.3	9.8	1.2
Capacity utilization rate	%	69.8	68.8	70.6	72.4	75.7	71.9	3.0
Private housing starts	mil. units	1.061	1.693	1.538	1.506	1.421	1.495	40.4
Car sales	mil. units	8.0	8.4	8.8	8.8	9.0	8.8	10.0

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Gross national product,1972$	bil. 1972 $	1513.3	1555.8	1572.1	1588.7	1607.1	1580.9	4.5
Index of industrial product.	1967= 100	145.2	155.4	158.2	163.1	168.5	161.3	11.1
Unemployment rate	%	9.8	9.1	9.0	8.6	8.2	8.7	-11.4
Capacity utilization rate	%	71.9	77.0	77.6	79.7	80.1	78.6	9.3
Private housing starts	mil. units	1.495	1.479	1.665	1.788	1.607	1.635	9.4
Car sales	mil. units	8.8	9.1	9.0	9.4	9.5	9.2	4.5

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Gross national product,1972$	bil. 1972 $	1580.9	1622.8	1642.8	1667.2	1685.3	1654.5	4.7
Index of industrial product.	1967= 100	161.3	171.2	173.5	175.7	178.3	174.7	8.3
Unemployment rate	%	8.7	8.1	7.9	7.8	7.3	7.8	-10.6
Capacity utilization rate	%	78.6	81.1	82.7	83.1	83.4	82.6	5.1
Private housing starts	mil. units	1.635	1.526	1.739	1.861	1.622	1.687	3.2
Car sales	mil. units	9.2	9.3	9.5	9.3	9.7	9.5	3.3

*Historical data (1) % change over previous year

PRICES

during the rest of the year. If it did, inflation for the year would be above 7 per cent. It is forecast at less than half that amount. One influence on the relatively rate was the added tax of 5 cents a gallon on gasoline.

There is good news in the PPI. Wholesale prices were off by 0.1 per cent in April due to a drop in energy costs. That marked the third decline in four months. Home heating oil was off 6.3 per cent while natural gas costs declined 3.5 per cent. KEDI projections show that the PPI for May will go up and continue to climb throughout the rest of the year.

1.22 NOMINAL GNP

(Table 1.22 on page 11)

The forecast of the nominal value of GNP for 1983 has been revised downward mainly due to the downward revision of the forecast of real GNP. Correspondingly, projection of Personal Consumption Expenditures is slightly lower when compared with the May forecast.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 12)

The forecast remains the same. Declines in joblessness will be very slow. The civilian unemployment rate was at 10.2 per cent in April. That was a 0.1 percentage point drop from the March level of 10.3 per cent. KEDI sees the May rate as being closer to 10.1 per cent.

	Unemployment	
	Rates(%)	Numbers(mil.)
1983	9.8	102.9
1984	8.7	108.1
1985	7.8	113.1
1986	7.3	115.7
1987	6.9	119.9

The table shows that unemployment rates will be at historically high levels. HOWEVER, THE EMPLOYMENT PICTURE WILL BE IMPROVING STEADILY. There will be more jobs. The main increases in jobs

1.21 PRICES
(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Consumer price index,n.s.a.	1967=100	288.6	292.5	295.0	298.9	302.2	297.2	3.0
Producer price index,n.s.a.**	1967=100	280.6	283.4	285.2	287.4	288.9	286.2	2.0
Price deflators:								
GNP	1972=100	207.1	213.3	215.8	217.9	220.1	216.8	4.7
Personal cons. expenditures	1972=100	206.0	211.1	213.2	215.2	217.6	214.3	4.0
Gross private dom.investment	1972=100	214.3	214.6	217.5	220.1	223.4	218.9	2.1
Federal purchases	1972=100	221.7	231.6	233.4	235.4	238.0	234.6	5.8

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Consumer price index,n.s.a.	1967=100	297.2	305.8	308.9	311.8	314.2	310.2	4.4
Producer price index,n.s.a.**	1967=100	286.2	294.3	297.3	302.7	308.5	300.7	5.1
Price deflators:								
GNP	1972=100	216.8	223.2	226.1	230.8	233.6	228.4	5.4
Personal cons. expenditures	1972=100	214.3	220.0	223.1	227.6	230.6	225.3	5.1
Gross private dom.investment	1972=100	218.9	225.1	227.8	232.0	235.7	230.2	5.2
Federal purchases	1972=100	234.6	240.8	243.1	246.7	250.2	245.1	4.5

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Consumer price index,n.s.a.	1967=100	310.2	317.5	321.4	326.5	332.4	324.5	4.6
Producer price index,n.s.a.**	1967=100	300.7	313.7	317.5	322.4	326.7	320.1	6.5
Price deflators:								
GNP	1972=100	228.4	236.4	239.1	242.1	244.8	240.6	5.3
Personal cons. expenditures	1972=100	225.3	232.3	234.8	238.0	240.0	236.3	4.9
Gross private dom.investment	1972=100	230.2	238.8	241.6	245.3	248.9	243.7	5.9
Federal purchases	1972=100	245.1	254.0	257.1	260.1	263.5	258.9	5.6

*Historical data (1) % change over previous year **Finished goods

will be in services, high technology, computers, medical and biology instruments, and the defense industry.

Total employment rose by 355,000 civilians to 99.458 million in April. The Congressional Budget Office estimates that increases in defense spending alone will create about 420,000 jobs this year.

The total reported as being unemployed in April came to 11.3 million. Roughly, 5.7 million of the unemployed get some type of benefit. That does not include the discouraged workers that have given up trying to find work. Estimates for this group range from 1.8 to 2.5 million. As the economy begins to pick up, increasing portions of workers that were discouraged will begin to try again. As they get counted in the official unemployed category, that will be an influence on keeping the jobless official total comparatively high.

1.41 HOUSING

(Table 1.41 on page 13)

The forecast is not changed. KEDI maintains the prediction that the high performance of the first few months of this year will not be continued. F.W. Dodge reported that the value of new construction contracts was down an adjusted 2 per cent in April. Even with some decline in mortgage rates, there has been limited opportunity for expansion.

In April, work on new homes was at an annual rate of 1.49 million. That was down 8.4 per cent from the March level.

KEDI is not quite as optimistic as Michael Sumichrast of the National Association of Home Builders about 1984. He expects starts to reach about 1.5 million this year and go as high as 1.7 or 1.8 million in 1984. This Institute agrees with the forecast of 1.5 million for this year, but calculated the rate for 1984 as being in the 1.6 million range.

1.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*			1983		1983	% (1)
			1	2	3	4		
Gross national product	bil.$	3059.3	3170.9	3246.9	3313.6	3392.6	3281.0	4.7
Personal cons. expenditures	bil.$	1971.1	2054.2	2091.6	2137.2	2193.7	2119.2	7.5
Gross private dom.investment	bil.$	420.2	421.3	449.6	464.2	483.2	454.6	8.2
Net exports	bil.$	20.6	19.0	17.1	12.3	2.7	12.8	-37.9
Government. purchases:								
Federal	bil.$	257.9	274.0	278.4	282.5	290.2	281.3	9.1
State and local	bil.$	389.9	402.5	410.2	417.4	422.8	413.2	6.0

Indicator	Unit	1983			1984		1984	% (1)
			1	2	3	4		
Gross national product	bil.$	3281.0	3472.5	3554.5	3666.7	3754.2	3612.0	10.1
Personal cons. expenditures	bil.$	2119.2	2235.6	2289.1	2361.2	2419.2	2326.3	9.8
Gross private dom.investment	bil.$	454.6	501.3	520.6	540.3	559.1	530.3	16.7
Net exports	bil.$	12.8	6.4	0.7	4.8	-2.3	3.6	-71.9
Government purchases:								
Federal	bil.$	281.3	297.8	308.2	312.3	319.6	309.4	0.0
State and local	bil.$	413.2	431.4	436.0	448.1	458.6	443.5	7.3

Indicator	Unit	1984			1985		1985	% (1)
			1	2	3	4		
Gross national product	bil.$	3612.0	3836.3	3927.9	4036.3	4125.6	3981.5	10.3
Personal cons. expenditures	bil.$	2326.3	2462.1	2511.7	2575.7	2627.2	2544.2	9.4
Gross private dom.investment	bil.$	530.3	576.2	600.6	623.6	642.4	610.7	15.2
Net exports	bil.$	3.6	1.2	1.9	2.6	2.3	2.0	-44.0
Government purchases:								
Federal	bil.$	309.4	328.7	335.8	342.1	348.1	338.7	8.4
State and local	bil.$	443.5	468.1	477.9	492.3	505.6	486.0	10.3

*Historical data (1) % change over previous year

TABLE 1.30 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*			1983		1983	%
			1	2	3	4		(1)
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.2	112.3	113.4	114.9	115.8	114.1	3.5
Employment	mil.	99.5	100.7	102.0	103.8	105.0	102.9	3.4
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	96.1	97.4	98.6	100.5	101.6	99.5	3.5
Unemployment rate	%	9.72	10.34	10.02	9.66	9.32	9.84	1.2

Indicator	Unit	1983			1984		1984	%
			1	2	3	4		(1)
Population	mil.	232.5	234.5	234.5	236.0	236.9	235.7	1.4
Civilian labor force	mil.	114.1	117.0	117.9	118.8	120.1	118.5	3.9
Employment	mil.	102.9	106.4	107.3	108.5	110.2	108.1	5.1
Agriculture	mil.	3.4	3.3	3.4	3.4	3.3	3.4	.0
Non agricult.	mil.	99.5	103.1	103.9	105.1	106.8	104.7	5.2
Unemployment rate	%	9.84	9.09	8.95	8.64	8.21	8.72	-11.4

Indicator	Unit	1984			1985		1985	%
			1	2	3	4		(1)
Population	mil.	235.7	237.5	238.1	239.1	240.1	238.7	1.3
Civilian labor force	mil.	118.5	121.0	121.1	123.2	124.5	122.7	3.5
Employment	mil.	108.1	111.2	112.4	113.6	115.4	113.1	4.6
Agriculture	mil.	3.4	3.3	3.3	3.3	3.3	3.3	-0.1
Non agricult.	mil.	104.7	107.9	109.1	110.3	112.1	109.7	4.8
Unemployment rate	%	8.72	8.11	7.93	7.81	7.34	7.80	-10.6

*Historical data (1) % change over previous year

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	% (1)
			1	2	3	4		
Single-family housing starts	mil.	.656	1.065	.930	.904	.837	.934	42.4
Multifamily housing starts	mil.	.405	.628	.608	.602	.584	.561	13.9
Mobile home shipments	mil.	.238	.252	.276	.289	.273	.272	14.3
Permits authorized	mil.	1.023	1.292	1.370	1.475	1.321	1.365	33.4
1-family unit** price, new	tho.$	84.0	88.4	92.4	94.7	97.3	93.2	11.0
1-family unit** price, existing	tho.$	80.3	82.4	84.5	87.3	90.0	86.1	7.2

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Single-family housing starts	mil.	.934	.898	1.030	1.134	.978	1.010	8.1
Multifamily housing starts	mil.	.561	.581	.635	.654	.629	.625	11.4
Mobile home shipments	mil.	.272	.243	.274	.297	.285	.275	1.1
Permits authorized	mil.	1.365	1.380	1.441	1.496	1.467	1.446	5.9
1-family unit** price, new	mil.	93.2	99.0	101.7	104.9	106.0	102.9	10.4
1-family unit** price, existing	tho.$	86.1	91.8	93.0	95.2	96.8	94.2	9.4

Indicator	Unit	1984	1985				1985	% (1)
			1	2	3	4		
Single-family housing starts	mil.	1.010	.912	1.080	1.192	.982	1.042	3.2
Multifamily housing starts	mil.	.625	.614	.658	.669	.640	.646	3.4
Mobile home shipments	mil.	.275	.270	.279	.290	.289	.282	2.5
Permits authorized	mil.	1.446	1.279	1.552	1.574	1.452	1.464	1.2
1-family unit** price, new	tho.$	109.2	107.1	109.2	110.7	112.3	109.8	6.7
1-family unit** price, existing	tho.$	94.2	98.7	98.8	99.6	100.7	99.5	5.6

*Historical data (1) % change over previous year **Not seas. adjusted

HOUSING

The Secretary of Housing and Urban Development said that the drop in the FHA-VA home loan rate to 11.5 per cent in early May would open up the home-buying market to as many as another million. KEDI does not agree. That rate is still high and indications are that the FHA-VA home loan rate reduction will be short-lived. The average price of a new home was at $68,900 in both March and April. Such prices coupled with double digit mortgage rates put the new home out of reach for the average wage earner.

Studie by the National Association of Realtors and by the MGIC Corp. showed that 45 per cent of 500 top loan officers surveyed in May expect the mortgage rate floor to be under 11 per cent this year. KEDI does not agree. As has been stated for many months, interest rates would move down in the first part of the year only, edge up a bit and stabilize later in the year. Mortgage rates are still seen in the 11-12 per cent range for 1983.

Mortgage rates considered together with prices and the rather bleak picture for the unemployment rate are the three basic reasons why housing will not show very much improvement in 1984 and the following years. KEDI does not agree with economists that see housing as leading us out of the recession. It would be nice if that were true. Alas, this economy is breaking with past recoveries. Housing is not such a big part of the firm foundation of this economy any more.

1.42 AUTOMOBILES

(Table 1.42 on page 15)

The forecast for car sales is revised upwards in this issue. Currently sales are seen as amounting to 8.8 million for 1983 as opposed to 8.7 million in the May issue. For 1984, such sales are seen in the 9.2 million range whereas they were projected at 8.9 million last month.

The reason for the change was the better than expected performance in April and increase in the May and June sales expected--

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	8.0	8.4	8.8	8.8	9.0	8.8	10.0
Domestic	mil.	5.8	6.0	6.4	6.5	6.8	6.5	12.1
Imported	mil.	2.2	2.4	2.4	2.3	2.2	2.3	4.5
Dealers inventories**	mil.	1.9	1.2	1.3	1.4	1.5	1.4	-26.3
Factory shipments.	mil.	5.0	6.0	6.5	6.7	6.8	6.5	30.0
Light-duty truck sales	mil.	2.1	2.1	2.2	2.0	2.1	2.1	0.0

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	8.8	9.1	9.0	9.4	9.5	9.2	4.5
Domestic	mil.	6.5	6.8	6.8	7.1	7.1	6.9	6.2
Imported	mil.	2.3	2.3	2.2	2.3	2.4	2.3	0.0
Dealers inventories**	mil.	1.4	1.6	1.7	1.6	1.5	1.6	14.3
Factory shipments**	mil.	6.5	6.9	6.8	7.0	7.2	7.0	7.7
Light-duty truck sales	mil.	2.1	2.0	2.2	2.1	2.2	2.2	4.8

Indicator	Unit	1984	1985				1985	% (1)
			1	2	3	4		
Passenger cars								
Total sales	mil.	9.2	9.3	9.5	9.3	9.7	9.5	3.3
Domestic	mil.	6.9	7.0	7.1	7.0	7.2	7.1	2.9
Imported	mil.	2.3	2.3	2.4	2.3	2.5	2.4	4.3
Dealers inventories**	mil.	1.6	1.7	1.7	1.6	1.6	1.6	0.0
Factory shipments**	mil.	7.0	7.2	7.1	7.1	7.4	7.3	4.3
Light-duty truck sales	mil.	2.2	2.2	2.3	2.3	2.2	2.3	4.5

*Historical data (1) % change over previous year **Seas. not adjusted

AUTOMOBILES

despite the Mid-May decline. HOWEVER, 8.8 million for 1983 is still 20-25 per cent below a "normal" rate. The projection for 1984 is still about 15 per cent below what is considered normal for auto sales.

KEDI forecasts domestic car production at 6.5 million for this year. That is in line with most forecasters. It is higher than Bernstein Research as they look to 6.1 million produced this year. For 1984, this Institute estimates production increasing to 7.0 million. The forecast by Bernstein Research of 7.4 million is seen as too high.

Car sales were up 6.6 per cent in early May over the same period in 1982. In mid-May sales were down 2.6 per cent. (GM had a decline of over 14 per cent whereas the other domestic makers had gains.)

KEDI's forecast of market shares made in the January 1, 1983 issue on page 22 has been found close to the reality.

Percentage Share of the Passenger Car Market

	Actual Jan.-May, 1983	KEDI projected in Jan. 1983
GM	58.7	60.0
Ford	21.6	23.1
Chrysler	12.9	12.9

1.50 BUDGETS

(Table 1.50 on page 17)

The main change here is that the projection for the calendar year deficit has been reduced for this year and increases in the next two years.

Federal Deficits, Calendar Years

	KEDI May Projection	KEDI June Projection
1983	196.8	185.7
1984	159.0	163.0
1985	86.5	90.3

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	300.1	297.8	304.1	294.2	307.8	301.0	.3
Corporate prof. tax accruals	bil.$	47.5	53.8	55.4	57.9	59.2	56.7	19.3
Surplus/deficit	bil.$	-149.3	-173.9	-185.7	-202.3	-181.0	-185.7	24.3
State and local governments:								
Income taxes	bil.$	97.1	103.2	103.9	106.1	108.4	105.4	8.5
Corporate prof. tax accruals	bil.$	10.4	11.9	12.8	13.6	14.2	13.1	26.0
Surplus/deficit	bil.$	32.2	42.2	43.4	44.5	45.7	44.0	36.6

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	301.0	310.2	321.4	327.8	337.2	324.2	7.7
Corporate prof. tax accruals	bil.$	56.7	63.2	65.0	68.3	70.2	66.7	17.6
Surplus/deficit	bil.$	-185.7	-175.6	-168.2	-159.7	-148.3	-163.0	12.2
State and local governments:								
Income taxes	bil.$	105.4	111.3	113.9	115.7	116.8	114.4	8.5
Corporate prof. tax accruals	bil.$	13.1	14.7	15.3	15.9	16.6	15.6	19.0
Surplus/deficit	bil.$	44.0	46.9	48.1	49.2	51.3	48.9	11.1

Indicator	Unit	1984	1985				1985	% (1)
			1	2	3	4		
Federal govt.:								
Income taxes	bil.$	324.2	343.5	350.7	359.8	369.4	355.9	9.8
Corporate prof. tax accruals	bil.$	66.7	73.7	75.4	77.8	79.6	76.7	15.0
Surplus/deficit	bil.$	-163.0	-115.4	-92.6	-83.1	-70.2	-90.3	-55.4
State and local governments:								
Income taxes	bil.$	114.4	122.3	124.4	128.3	131.5	126.6	10.7
Corporate prof. tax accruals	bil.$	15.6	17.1	17.4	17.7	18.3	17.6	12.8
Surplus/deficit	bil.$	48.9	52.4	54.3	54.8	55.2	54.2	10.8

*Historical data (1) % change over previous year

BUDGETS

Data released by the U.S. Department of Commerce for the first quarter of 1983 lead to the revision of the forecast here. Reasons are the following:

1. Social security benefits in 1983 are now seen as being approximately $5 billion less that had been expected earlier.
2. Defense expenditures are now anticipated to be about $2 billion lower in 1983 than they were forecast in the last issue.
3. Indirect taxes collected in 1983 will be roughly $2 billion higher than projected by KEDI in May.

The 1985 data include the planned indexing of the Federal Income tax. Calculations show that the impact of this will be fairly minimal--in the $2 billion range in terms of less income tax collected.

KEDI does support the idea of indexation. As Louis Rukeyser pointed out (Akron Beacon Journal, May 21, 1983, page B6.) raising taxes does not eleiminate deficits. It it did, there should have been surpluses during the seventies. The hidden tax resulting from bracket creep when inflation was high was costly to the average person and pushed up unlegislated tax increases at the personal level by over 170 per cent in the 1970's.

1.60 INCOME

(Table 1.60 on page 19)

There are no essential changes in the forecast here.

After-tax corporate profits are projected as being 6.9 per cent higher in 1983 than in 1982. More substantial increases in profits are anticipated in 1984. It will be at least 1984 or later when such profits reach their pre-recession level.

KEDI estimates that industries still hurting will be free of most pain but hardly top specimens in 1984. The ailing steel, auto,

TABLE 1.60 INCOME
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983				1983	% (1)
			1	2	3	4		
Personal income	bil.$	2569.9	2648.2	2696.7	2744.6	2817.4	2726.7	6.1
Personal disposable income	bil.$	2172.8	2247.2	2288.7	2344.3	2401.2	2320.4	6.8
Compensation of employees	bil.$	1853.9	1908.4	1947.2	1969.4	2025.3	1962.5	5.8
Corporate after tax profits	bil.$	117.7	112.6	120.5	129.3	140.9	125.8	6.9
Personal saving	bil.$	143.2	131.9	134.8	141.4	140.2	137.1	-4.3
Average weekly earnings	$	330.1	342.3	350.7	356.3	362.1	352.9	6.9

Indicator	Unit	1983	1984				1984	% (1)
			1	2	3	4		
Personal income	bil.$	2726.7	2871.9	2946.2	3038.4	3106.1	2990.7	9.7
Personal disposable income	bil.$	2320.4	2450.4	2510.9	2594.9	2652.1	2552.1	10.0
Compensation of employees	bil.$	1962.5	2073.2	2120.7	2172.5	2222.9	2147.3	9.4
Corporate after tax profits	bil.$	125.8	144.3	147.6	150.7	154.3	149.2	18.6
Personal saving	bil.$	137.1	146.7	152.3	162.4	160.3	155.4	13.3
Average weekly earnings	$	352.9	369.7	375.2	380.1	386.6	377.9	7.1

Indicator	Unit	1984	1985				1985	% (1)
			1	2	3	4		
Personal income	bil.$	2990.7	3163.7	3227.3	3308.2	3370.5	3267.4	9.3
Personal disposable income	bil.$	2552.1	2697.9	2752.2	2820.1	2869.6	2785.0	9.1
Compensation of employees	bil.$	2147.3	2258.5	2349.7	2404.3	2542.2	2388.7	11.7
Corporate after tax profits	bil.$	149.2	158.9	164.3	168.3	171.3	165.7	11.1
Personal saving	bil.$	155.4	161.5	164.8	168.2	164.3	164.7	6.0
Average weekly earnings	$	377.9	392.2	399.1	404.7	411.5	401.9	7.0

*Historical data (1) % change over previous year

INCOME

machine tool, and airline industries will be fairly well that year.

After-tax profits expected in 1984 by KEDI are presented:

Steel	$1.0 billion
Automobiles	$2.5 billion
Machine tools	$0.8 billion
Airlines	$1.0 billion

After a small decline, average weekly pay of factory workers moved up in March to $346.50, according to figures released by the Labor Department in May. KEDI anticipates that the average earnings will go up by 7-8 per cent in 1983, 1984, and 1985.

1.70 MONEY AND CREDIT

(Table 1.70 on page 21)

The general forecast is maintained. In KEDI's opinion, M1 is no longer a reliable tool for measuring the amount of money in the U.S. economy or as a guide to policy. New technical tools have changed the original concept of M1. It is anticipated that the Federal Reserve will keep to its policy of concentrating on the broader M2 and M3 while down-playing M1.

KEDI expects that the end of easy money is NOW coming to an end. That has been anticipated here for several months. There was a steady expansion in the money supply up until late May. Despite the fact that the $2.1 billion increase in the last week of May was quite a bit smaller than hikes of the prior four weeks, the Fed will take action to curtail expansion more.

The forecasts of other monetary and credit instruments remain the same with the exception of some decline in the outlook for Treasury bills and Government bonds. The reduction is connected to the decline in the federal deficit projections.

AGAIN, CALCULATIONS SHOW THAT THE PROJECTED NEEDS OF THE FEDERAL GOVERNMENT FOR FUNDS WILL NOT COLLIDE WITH THE NEEDS OF BUSINESS FOR MONEY FOR CAPITAL OUTLAYS. THERE WILL BE NO DAMAGE TO BUSINESS RECOVERY AND GROWTH IN THE FORESEEABLE FUTURE.

TABLE 1.70 MONEY AND CREDIT

(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Currency and demand deposits, M1	bil.$	475.4	486.4	506.8	512.3	519.4	506.2	6.5
Time deposits, adjusted, M2	bil.$	1918.2	2031.0	2087.5	2171.2	2208.3	2124.5	10.8
Consumer instal. credit	bil.$	343.4	345.4	351.8	359.6	368.4	368.4	7.3
Commerc.& indus. loans at banks	bil.$	394.6	405.8	409.6	415.4	425.1	425.1	7.7
Large denomination time dep.	bil.$	326.6	323.8	330.8	339.2	344.7	334.6	2.5
Mortgages at S & L Assns.	bil.$	484.3	490.6	509.7	515.6	524.3	524.3	8.3

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Currency and demand deposits, M1	bil.$	506.2	526.9	534.7	545.1	557.8	541.1	6.9
Time deposits, adjusted, M2	bil.$	2124.5	2240.1	2287.1	2336.4	2411.1	2318.7	9.1
Consumer instal. credit	bil.$	368.4	372.2	378.4	389.6	398.7	398.7	8.2
Commerc.& indus. loans at banks	bil.$	425.1	430.7	437.5	444.3	451.6	451.6	6.2
Large denomination time dep.	bil.$	334.6	348.6	354.8	362.6	373.4	359.9	7.6
Mortgages at S & L Assns.	bil.$	524.3	533.5	547.7	559.2	569.3	569.3	8.6

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Currency and demand deposits, M1	bil.$	541.1	564.9	576.8	584.9	596.3	580.7	7.3
Time deposits, adjusted, M2	bil.$	2318.7	2467.3	2544.2	2628.6	2720.2	2590.1	11.7
Consumer instal. credit	bil.$	398.7	408.4	416.5	423.4	433.7	433.7	8.8
Commerc.& indus. loans at banks	bil.$	451.6	460.2	468.7	477.8	486.5	486.5	7.7
Large denomination time dep.	bil $	359.9	381.4	388.5	397.4	408.6	394.0	9.5
Mortgages at S & L Assns.	bil.$	569.3	576.5	584.3	593.5	602.8	602.8	5.9

*Historical data (1) % change over previous year

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Table 1.80 on page 23)

It has been projected here for some time that small declines in interest rates would end by the second half of 1983, after which there would be some increases toward the end of the year.

The first signals pointing to that change are being seen. The rates on 6-month CDs went up toward the end of May to 8.97 from 8.64 at savings and loan institutions. At the end of the month, the rate went up again to 9 per cent. Also, the yield on six-month T-bills went up to 8.6 from 8.47.

Paul Volcker announced that the Federal Reserve does not want to push rates down. He noted the recent gains in the economy. It is generally acknowledged that added pressure to decrease rates more would add to fears of inflation.

The forecast of the stock market remain essentially unchanged. KEDI projection shows that the 1200 Dow Jones Industrials performance is a peak for the 1983-1985 period. No significant declines are projected for that perios, however. The year averages for Dow Jones Industrials and Standard & Poor's 500 are:

	Dow Jones Industrials	Standard & Poor's 500
1983	1150	142
1984	1140	138
1985	1090	132

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1982*	1983				1983	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	10.20	8.07	8.06	8.31	8.72	8.29	-18.7
Prime rate	%	14.86	10.82	10.42	10.51	10.63	10.60	-28.7
Conventional mortgages rate	%	15.57	13.11	12.48	12.29	11.86	12.44	-20.1
Aaa corporate bonds rate	%	13.78	11.81	11.42	11.56	11.84	11.66	-15.4
20 years Govt. bonds yield	%	12.70	10.89	10.94	11.14	11.37	11.09	-14.7
Standard & Poor's 500 avg.	1941-43=100	119.75	145.26	142.75	141.23	138.06	141.83	18.4

Indicator	Unit	1983	1984				1984	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	8.29	8.87	8.92	8.95	9.06	8.95	8.0
Prime rate	%	10.60	10.68	10.81	11.12	11.23	10.96	3.4
Conventional mortgages rate	%	12.44	11.53	11.32	11.46	11.78	11.52	-7.4
Aaa corporate bonds rate	%	11.66	11.93	11.76	11.92	12.04	11.91	2.1
20 years Govt. bonds yield	%	11.09	11.54	11.83	12.03	12.14	11.89	7.2
Standard & Poor's 500 avg.	1941-43=100	141.83	138.53	141.65	137.12	135.21	138.13	-2.6

Indicator	Unit	1984	1985				1985	%
			1	2	3	4		(1)
Treasury bills (3 mo) yield	%	8.95	9.14	9.36	9.63	9.32	9.36	4.6
Prime rate	%	10.96	11.34	11.49	11.60	11.86	11.57	5.6
Conventional mortgages rate	%	11.52	11.84	11.76	11.85	11.94	11.85	2.9
Aaa corporate bonds rate	%	11.91	12.08	11.95	11.83	11.90	11.94	.3
20 years Govt. bonds yield	%	11.89	12.75	12.93	12.98	13.15	12.95	8.9
Standard & Poor's 500 avg.	1941-43=100	138.13	133.05	134.57	131.78	129.64	132.26	-4.2

*Historical data (1) % change over previous year

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, Federal Government Purchases of Goods and Services in Current $ for the year 1982 has been selected for comparison. The actual figure is in the Survey of Current Business, No.4, April 1983, p.12, (U.S. Department of Commerce, Washington, D.C., monthly). Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1982). The following table shows the predictions of forecasters and deviation of forecast data.

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(Federal Government Purchases of Goods and Services, in bil.$)

Actual figure: 257.9

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
Georgia State	11/81	15	257.9	.0
Harris Trust and Saving Bank	11/11/81	17	252.9	-1.9
UCLA	12/81	20	249.4	-3.3
Metropolitan Life Insurance Company	12/1/81	21	253.8	-1.6
Manufacturers Hanover Trust Company	12/11/81	25	251.7	-2.4
Standard & Poor's	12/10/81	24	250.6	-2.8
Fidelity Bank	12/18/81	26	246.3	-4.5
KEDI	1/1/82	28	255.2	-1.0
Morgan Guaranty Trust Company	1/7/82	30	251.8	-2.4

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first collumn of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.10 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.23
	Large denomin. time deposits	FRB, Table 1.21
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36